

'ETERNAL CHANCELLOR' VOTED OUT AFTER 16 YEARS

Kohl Era Ends as Germany Turns to Schroeder



Chancellor Helmut Kohl waving Sunday after voting in Oggersheim.

A Big Niche in History

Reunification Was His Greatest Moment

By William Drozdiak
Washington Post Service

BERLIN — He was called the Eternal Chancellor. For a generation of young Germans, Helmut Kohl was the only leader they ever knew, until Sunday.

But after 16 years in office, longer than Franklin D. Roosevelt or any other head of government in a major Western democracy, Mr. Kohl will surrender his exalted position to Gerhard Schroeder

after losing his bid for an unprecedented fifth term at the helm of Europe's most powerful nation.

Like his heroes Winston Churchill and Charles de Gaulle, Mr. Kohl overstayed his welcome with the voters and underestimated their yearning for fresh leadership.

At age 68, he will head into retirement consoled by his prominent niche in history, having reunified a nation torn

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By William Drozdiak
Washington Post Service

BERLIN — In an election that will transform the leadership of Europe's most pivotal nation, Gerhard Schroeder, a Social Democrat, ousted Chancellor Helmut Kohl with a decisive victory that will bring the left back to power in Germany for the first time in 16 years.

It was the first time in modern German history that a sitting chancellor had been voted out of office. Mr. Kohl's defeat demonstrated the depth of discontent with his failure to cope with

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record unemployment and a clear desire to replace Europe's longest-serving leader in favor of new directions in government.

"After 16 years, the Kohl era has come to an end," Mr. Schroeder told a cheering crowd of supporters at party headquarters in Bonn. He declared that his most important goal would be to wage a vigorous fight against joblessness, which now hovers close to 11 percent of the work force.

"The new center of Germany has decided, and the Social Democrats have won them back," Mr. Schroeder said. "The voters in Germany have brought about a once-in-a-generation change."

The election results in Germany mean that left-of-center parties will govern Europe's four largest countries. As recently as three years ago, conservative parties were firmly entrenched in power in Britain, France, Italy and Germany.

Mr. Kohl's government will continue in a caretaker role until a new coalition is formed. There is no deadline for doing that under the German Constitution. Early results showed the Social

Democrats would emerge as Germany's biggest party, with about 41 percent of the votes. Mr. Kohl's Christian Democrats crashed to their worst showing in four decades by scoring less than 35 percent.

Mr. Schroeder said it was too early to judge whether he would turn toward the Greens to form a coalition government or whether he would need to look toward a grand coalition with the Christian Democrats. He said he wanted to see how the final results affected the allocation of seats in the Bundestag, the lower house of Parliament, before launching negotiations with prospective partners.

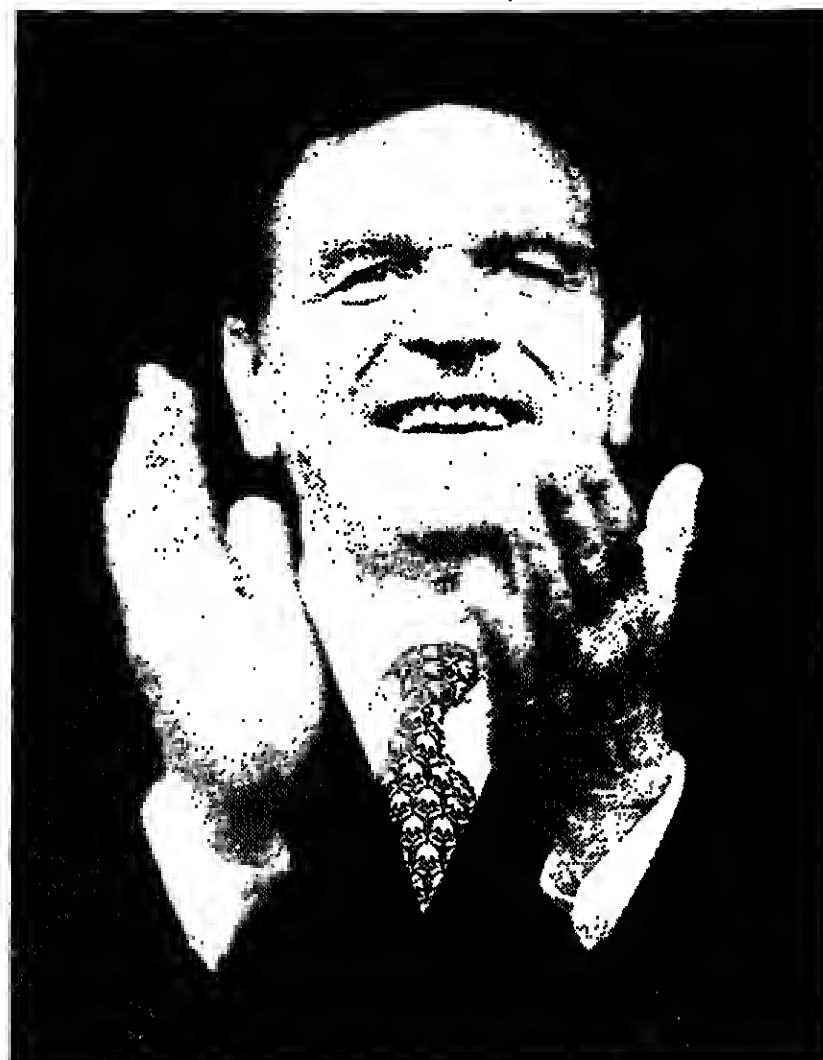
The fate of the three small parties will determine the nature of Mr. Schroeder's government. His most likely partner, the Greens, were pegged to score about 6.5 percent. But whether the Social Democrats and Greens gain enough votes to form a stable governing majority may depend on whether the former Communists, known as the Party for Democratic Socialism, manage to cross the 5 percent threshold required to stay in Parliament.

If the former Communists make it, a so-called Red-Green coalition would have difficulty forming a government, and Mr. Schroeder might be compelled to seek a grand coalition with the Christian Democrats. But if they fall out of Parliament, the Social Democrats and Greens could secure a clear majority.

The Free Democrats, who served as junior partner in Mr. Kohl's center-right ruling coalition for the last 16 years, achieved about 6.3 percent, the same score as the Greens but declared they would go into opposition rather than present themselves as an alternative governing partner.

For the outgoing chancellor, it was a

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Germany's next chancellor, Gerhard Schroeder, applauding and greeting his supporters in Bonn on Sunday as the election results came in.

Opposition
In Malaysia
Joins Forces
And Rallies

By Keith Richburg
Washington Post Service

KUALA LUMPUR — Malaysia's political crisis entered a new and more confrontational phase Sunday as opposition groups and political activists started two broad-based coalitions to push for sweeping political reforms and the ouster of Prime Minister Mahathir bin Mohamad.

The dramatic events — unusual in a country where opposition voices have been routinely cowed — were capped by a defiant nighttime rally by tens of thousands of people, representing a broad slice of the country's civic society and held at the suburban headquarters of the Pan-Malaysian Islamic Party.

A succession of speakers delivered rhetorical broadsides against Mr. Mahathir, accusing him of using the country's draconian colonial-era anti-subversion laws to suppress dissent and demanding that he resign.

"Let's deliver our message to the police so they can give it to those people in power," said Mat Noor of the opposition Democratic Action Party, one of four political parties in a new coalition seeking reforms.

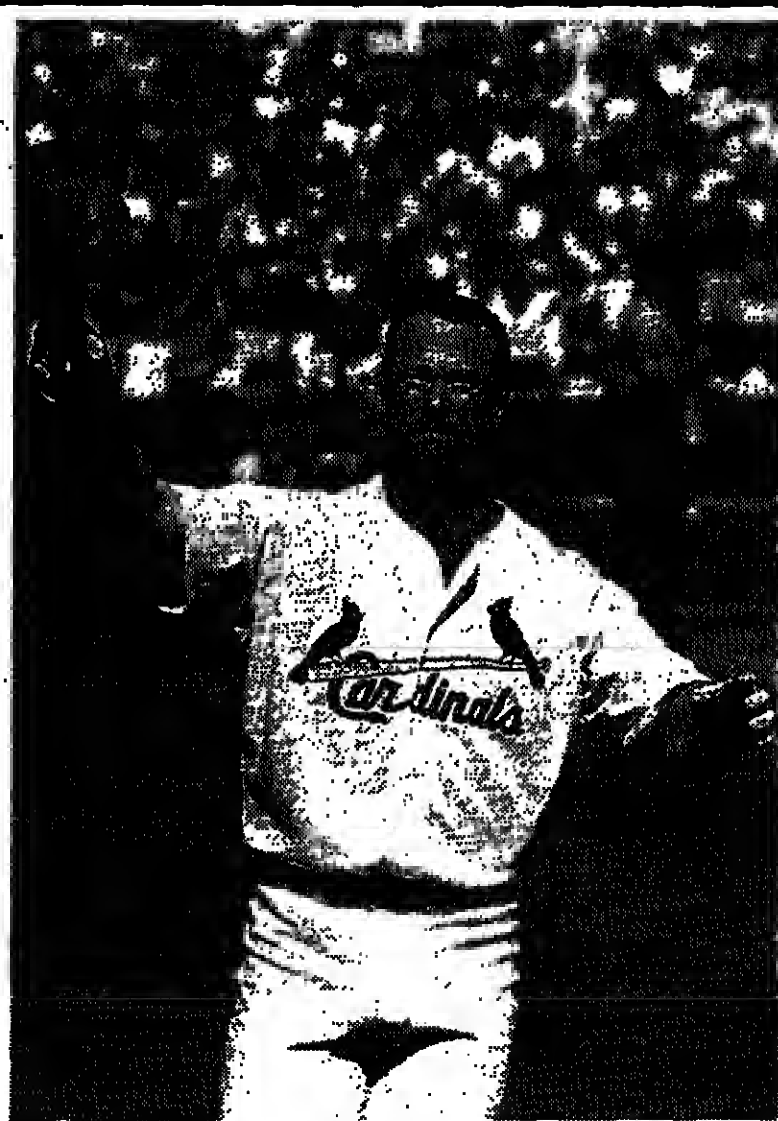
Speaking of Mr. Mahathir, he said: "When people attend rallies, he says they are just onlookers. This rally is significant because it shows people actively oppose Mahathir's leadership."

The two groups introduced Sunday represent an attempt by opposition political parties and nongovernmental groups to provide some focus and direction to a small but burgeoning "people power" movement that has prompted nearly daily demonstrations in the capital's streets for the past week.

The protests were triggered by the arrest Sept. 20 of Mr. Mahathir's popular longtime deputy, Anwar Ibrahim, whom the prime minister has accused of sodomy and sexual misconduct.

Mr. Anwar has denied the allegations, and his supporters say they were trumped up when the prime minister

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Mark McGwire tipping his hat to the crowd after hitting his 69th home run Sunday against Montreal. He followed it up with No. 70.

Smashing Finale: No. 70

Homer Derby Gives Baseball Shot in the Arm

By Richard Justice
Washington Post Service

WASHINGTON — With his 69th and 70th home runs on Sunday, Mark McGwire of the St. Louis Cardinals looks to be the clear winner of major-league baseball's home run derby over Sammy Sosa of the Chicago Cubs. But the biggest winner will be the game of baseball.

McGwire belted his 69th and 70th Sunday after hitting Nos. 67th and 68th Saturday to regain the lead in the race for single-season home run king. However, Sosa, who has 66, also had Sunday to swing away — and may have still another day.

Both players have said they would love to finish tied for the record, both having demolished the mark of 61 that Roger Maris held for 37 years. And while they may care more about finishing first than they're willing to admit, their legacies already have been written in other ways.

Before likely sellout crowds and massive television audiences, even with a full slate of National Football League games on Sunday, McGwire

and the St. Louis Cardinals were host to the Montreal Expos in what was both teams' season finale, while Sosa and his Chicago Cubs played in Houston against the Astros.

If the Cubs finish the day tied with the New York Mets or the San Francisco Giants for the National League's wild-card playoff berth — Sosa will play in another game, a tiebreaker. If he homers in that game, it will count in the regular season statistics.

McGwire's and Sosa's home runs have helped to revive a sport that seemed in decline four years ago when a labor dispute forced the cancellation of the 1994 World Series. Until this season, attendance remained below 1994 levels. Fans seemed to be coming back a few at a time, but because of Sosa and McGwire, they came back in a rush.

The sluggers proved that baseball still has the power to thrill fans and to create tension and drama. Fans latched onto the home run chase with ferocity and passion, some driving for hours and then paying hundreds of

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Mega-Bankruptcy Shakes Japan

Bad Debts Sink Bank Unit as Parties Finalize Financial Reform

Compiled by Our Staff From Dispatches

TOKYO — An affiliate of Long-Term Credit Bank of Japan Ltd. collapsed Sunday in Japan's largest post-war corporate failure, Japanese media reported, quoting authoritative sources.

Japan Leasing Corp. filed for bankruptcy with liabilities worth 2.4 trillion yen (\$17.63 billion), Jiji Press reported, adding to the growing list of victims of the collapse of the speculative investment boom of the late 1980s.

The collapse of Japan Leasing under a crushing load of bad debt is likely to send ripples through the already shaky Japanese financial system as other banks that lent money to Japan Leasing are affected by the failure.

Japan Leasing was one of three non-bank affiliates of Long-Term Credit Bank, the fate of which had held up an agreement between Prime Minister Keizo Obuchi's government and opposition parties about legislation aimed at lifting Japan out of recession.

Japan Leasing applied to the Tokyo District Court for protection under the corporate rehabilitation law, the Japan Broadcasting Corp. and Fuji TV said.

An official at the court could not confirm the reports but said it was technically possible for such an application to be filed late Sunday night. No one at Japan Leasing was available to comment.

The fate of Long-Term Credit Bank is at the heart of the parliamentary debate

over how to deal with Japan's banks and clean up their \$7.5 trillion yen of bad loans. After weeks of haggling over legislation to rescue the banking industry, the governing party, the Liberal Democratic Party, and opposition parties agreed Saturday to nationalize Long-Term Credit by making a forced purchase of its shares at a low price. The shares may then be sold to another bank.

The Liberal Democrats had insisted that public funds be used to increase the capital base of Long-Term Credit before its proposed merger with another bank, Sumitomo Trust & Banking Co.

But opposition parties and financial

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Afghans Under Taleban:
Weary, Wary and Poor

By Pamela Constable
Washington Post Service

KANDAHAR, Afghanistan — "Are you sure you want to take the risk?" The Pakistani border official, about to stamp the exit visa, stopped with his hand in midair.

"Those people are not educated," he said. "They may act before they think. And you might suffocate under one of those veils."

He grinned darkly, then tossed back the stamped passport.

Across the border lies Afghanistan, a country nearly destroyed by two decades of warfare, sunk in such primitive poverty that the World Bank no longer attempts to measure its economy and ruled by the Taleban, a puritanical Islamic militia.

The Taleban, recognized by only a few nations as a government, has provoked widespread international outrage by its draconian enforcement of its version of Islamic law.

Few Westerners are allowed in Afghanistan today, and all but a handful of foreign relief workers have been evacuated.

An 800-kilometer (500-mile) journey through Taleban territory will reveal why many Afghans have welcomed the country's radical new rulers — and why many others have come to fear them.

In Jalalabad, a devout Muslim physician secretly arranges tutoring for his daughter, banned from school by the Taleban. Kabul, the once-cosmopolitan capital, seems like a ghost town where no woman's face is seen in public and no man dares appear beardless.

Along the desert highway, cars proceed slowly around endless bomb craters, the legacy of two decades of war against Soviet invaders and among rival Afghan militias. And in Kandahar, local ethnic traditions are so conservative that the Taleban's medieval ethos seems right at home.

The historic Khyber Pass is a crowded, muddy footpath, and no one notices us in the two-way stream of traffic: donkeys laden with grapes, children bent under loads of scrap metal, husters and herders and holy men.

See TALEBAN, Page 9

Clinton's Backers Step Up Offensive

By Brian Knowlton
International Herald Tribune

WASHINGTON — Leading Democrats sharpened their attacks Sunday on Republican handling of the case against President Bill Clinton, but Republicans insisted that the process leading toward an impeachment inquiry would not be slowed by opposition tactics or by opinion polls.

The attacks by Democrats appeared to reflect a new sense in the party and the White House that public distress over releases of vast amounts of often salacious detail in the Monica Lewinsky

matter now outweighs popular disappointment with Mr. Clinton.

Throughout the weekend, Democrats tried to turn the matter to their party's advantage in the Nov. 3 congressional elections.

Vice President Al Gore, whose support for Mr. Clinton had been less vocal than usual since the release of the report by Kenneth Starr, the independent counsel, on the Lewinsky affair, blasted congressional Republicans on Saturday, saying, "They give us nothing but personal, partisan, political attacks on the president."

Representative Richard Gephardt of

Missouri, the Democratic leader in the House, who had also been cautious in his support for the president, said at a Democratic gathering that if Republicans dominate the next Congress, "We will get two more years of inquiries and investigations and looking into everybody and everything that exists in the country."

Senator Dianne Feinstein, Democrat of California, a longtime Clinton supporter who had expressed sharp disapproval of his conduct, also criticized House Republicans. Her

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AGENDA

Mandela Disperses
Worries on Health

CAPE TOWN (AP) — Seeking to calm worries about his health after he was forced to cancel an engagement on a state visit to Canada, President Nelson Mandela said Sunday that doctors had pronounced him fit and well.

Mr. Mandela, 80, said doctors had examined him within hours of his return home Sunday. "They all gave me a clean bill of health," he said. But he did admit that his North American tour had tired him.

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Storm Nears U.S.

Winds and rain lashed the Gulf Coast on Sunday and 1.5 million people were told to evacuate the New Orleans area ahead of the hurricane designated Georges. Page 3.

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A Fortune Built on Sand / Tale of Russian Capitalist

Fabulous Wealth of an 'Oligarch' Sinks Under Ruble's Devaluation

Timothy L. O'Brien
New York Times Service

MOSCOW — Few Russians harvested the spoils of their country's troubled encounter with capitalism as feverishly as Vladimir Potanin, a young Soviet-era bureaucrat who in a few short years parlayed his Kremlin ties into a sprawling business empire.

As recently as last year, Mr. Potanin was a high-ranking member of President Boris Yeltsin's government. At the same time, he controlled a cluster of important Russian financial and industrial companies that employed about 400,000 people, had won the support of Western investors like the billionaire George Soros, and was a member of a clique of businessmen known as the "oligarchs."

Defying exploiting lucrative opportunities that came with privatization, the oligarchs gained easy access to government officials, used dubious tactics to snare control of huge industrial concerns and are widely suspected of siphoning cash from the companies they acquired.

Many here are saying that the oligarchs' glory days are over.

"There are no oligarchs anymore because they're all bankrupt," said Vyacheslav Nikonov, president of the Potanin Foundation, a Moscow research group. "The government, if it wanted, could always have destroyed the oligarchs in a minute. But no one wanted to destroy the banking system."

Indeed, the breathtaking collapse of the Russian economy, and the failure of the Russian leadership to deliver on the promises of free market reform, have severely battered the oligarchs' businesses.

The new prime minister, Yevgeni Primakov, is likely to be less amenable to their interests.

Still, these are crafty men who negotiated the transition from communism to Russia's brand of capitalism with aplomb, and no one should underestimate their survival skills as circumstances evolve.

"Everything is going to change, and the role of the oligarchs will be less," acknowledged Mr. Potanin, 37. But he considers himself above the sordid dealings of the tycoons.

"When the oligarchs lose their influence, they will lose their negative influence," he said. "But I will not lose my positive influence."

INDEED, Mr. Potanin, though besieged, continues to command international attention. He flustered financial markets last week when he warned that Russia would sooner default on its debt than risk disrupting "social peace." A senior official of the International Monetary Fund called the statement a form of "blackmail."

Among themselves, the oligarchs have engaged in increasingly vitriolic spats lately, and some of them scoff at Mr. Potanin's attempt to occupy the moral high ground.

"Unlike some of my competitors, I don't try to hide what I have," said Alexander Smolensky, the elusive chairman of SBS-Agro, a large but now insolvent savings bank. "Those who were doing real banking in Russia will survive. Those who were speculating and grabbing state property won't."

But while banks were the foundation of many fortunes in Russia in the 1990s, they engaged in relatively little "real



Vladimir Potanin, with insider help, built a fabulous fortune of businesses, investments and banks but, he says, "Everything is going to change and the role of the oligarchs will be less."

banking." Instead of playing the textbook role of taking deposits and lending money to fuel growth, Russian banks, including Mr. Potanin's Uneximbank, became sprawling, industrial Goliaths gorging themselves on wages made in overheated financial markets.

And although they might suffer one another's barbs, the oligarchs are part of a thuggish, often violent business world that brooks little opposition. A St. Petersburg journalist investigating Russian banks was beaten to death last month, and the mayor of a Siberian town was murdered this year after pressing local oil companies to pay delinquent taxes and salaries.

"The simple truth is that there was too much corruption in Russia, and the reforms didn't go far enough," said Anders Ashund, an analyst with the Carnegie Endowment for International Peace. "All of this will go down in flames, and the only question is what will be built afterwards."

Mr. Potanin's career epitomizes an era in which the hopes of Western investors and governments came to repose in a handful of power brokers. These big players reaped vast fortunes through free-wheeling practices in which conflict of interest was endemic and regulatory scrutiny virtually nonexistent.

Married, with one child, Mr. Potanin was born in Mos-

cow into a privileged family. His father, Oleg, was a high-ranking official in the Foreign Trade Ministry and guided his son's career. With his father's sponsorship, Mr. Potanin gained entrance to the elite Institute of International Relations and then joined the ministry himself. Fluent in French and conversant in English, Mr. Potanin was given a post trading raw materials for the government.

The oligarchs depended on high-ranking Communist Party officials or former state organizations for their initial funding and business deals; Mr. Potanin was no exception. When he left the government in 1991 to start his own trading company, Interros, the state's biggest raw materials exporters backed him.

Attractive as this business was, Interros really hit the jackpot when Mr. Potanin opened Uneximbank in 1993 with funds from the government's foreign-trade bank. These were still the early days of privatization, and Uneximbank was one of thousands of new private banks set up across Russia, ostensibly to finance an economic rebirth.

Banks could be started by anyone with about \$1.5 million in capital and an office. Western and Russian bankers, along with law enforcement officials, said many of the smaller and midsize banks are now controlled by criminals and corrupt officials. The very biggest — those that are

owned by the oligarchs — have been used for building empires and speculating. Few were well-managed or cautiously operated, including Uneximbank.

But the bank and the young tycoon who owned it grew wealthy together — and with blinding speed. By the end of last year, it had \$3.8 billion in assets, small by Western standards but enough to make it the largest and most prestigious private commercial bank in Russia.

But like most Russian banks, Mr. Potanin's institution is now insolvent. According to Western bankers, Uneximbank has about \$700 million in derivatives liabilities that it cannot pay, a figure Mr. Potanin and the bank declined to discuss.

Mr. Potanin said his media holdings, including the prestigious daily newspaper Izvestia, once the official organ of the Soviet state, are in dire straits.

His industrial companies are laying off workers and cutting back production. He said all of his holdings, once valued at about \$10 billion, are now worth just \$2 billion. But most analysts said Interros' assets are worth only a few hundred million dollars — and may be worth next to nothing, given the current state of the Russian economy.

THE HEADQUARTERS of Mr. Potanin's empire, Uneximbank, resembles a fortress as much as a financial institution. Armed guards, metal detectors and electronic gates protect the entrance to the main building, which is on a commercial boulevard lined with monolithic slabs housing a series of Russia's leading banks.

But the bank has proved to be the foundation of an empire built on sand. Its tenuous prosperity rested on a lucrative but unstable niche in Russian securities markets and an inside track it navigated with a heavy hand during auctions of formerly state-owned companies beginning in 1995.

Mr. Potanin was retained as a consultant to the government and designed the auction process, known as loans for shares. The auctions were overseen by Anatoli Chubais, one of his sponsors in Mr. Yeltsin's administration and a reformer.

Loans for shares was riddled with cozy deals that put well-connected businessmen in control of key Russian industries at fire-sale prices. Mr. Chubais's reputation was tarnished last year when it was revealed that he and several others had accepted a sizable book advance from a publishing company controlled by Uneximbank.

Likewise, Alfred Kolch, a Russian official who oversaw the Svyazinvest sale, later got a \$100,000 book advance from a Swiss accounting firm set up by Uneximbank.

Like other banks, Uneximbank minted riches, albeit briefly, during the speculative fever that infected the Russian securities market last year. To fill yawning budget gaps, the Russian government had been issuing short-term treasury bills, known as GKO, paying sky-high interest rates to keep investors intrigued. Banks were required to hold a certain amount of GKO in their coffers, but analysts said many — including Uneximbank — held far more than was healthy, capitalized by the hefty interest rates.

When it became apparent the GKO shell game had ended, the government — realizing it could no longer service its debt and being pressured by banks to protect their interests — announced a catastrophic devaluation and debt moratorium. Mr. Potanin's empire was in tatters.

Betty Carter, 69, Singer and 'Godmother of Jazz,' Dies

The Associated Press

NEW YORK — Betty Carter, 69, a Grammy-winning singer who worked with Charlie Parker and Dizzy Gillespie and became known as the godmother of jazz for nurturing young musical talent, died Saturday of pancreatic cancer.

Clubs where she had played, including the Blue Note and Birdland in New York, observed a moment of silence in her memory. Annie Ross, another jazz singer, said Mrs. Carter was one of the last greats from a fading generation.

"God, we'll miss her," Mrs. Ross said. "She was a wonderfully inventive innovative singer. Who's left?"

Mrs. Carter was best known to fans for her signature singing style — daring improvisations and unusual approaches to songs that included scat-singing

around every tune and bouncing synopses against every offbeat but the expected one.

That style helped make her 1960 duet with Ray Charles, "Baby It's Cold Outside," a jazz classic.

Mrs. Carter also was known as a nurturing teacher and godmother to successive jazz generations. Her graduates include the pianists John Hicks and Mulgrew Miller, the bassists Buster Williams and Dave Holland, and the drummers Jack DeJohnette and Lewis Nash.

Edward Whitmont, 85, Jungian Psychoanalyst

NEW YORK (NYT) — Dr. Edward Christopher Whitmont, 85, a Jungian psychoanalyst and homeopathic physician who introduced many Americans to

the fundamentals of Jungian psychology through his writing and teaching, died Monday in Sherman, Connecticut. The cause was cancer of the thymus, his family said.

A founding member of the International Association for Analytical Psychology and the C.G. Jung Institute of New York, Mr. Whitmont spent much of his life exploring the territory where mind, body and spirit intersect, synthesizing and expanding upon ideas and methods drawn from diverse areas of psychology, medicine, science and religion.

Mr. Whitmont's 1969 book, "The Symbolic Quest," was the first text to apply the Swiss psychologist Carl Gustav Jung's complicated writings on archetypes to the therapist's daily work

with patients. The book quickly became essential reading for clinicians seeking an understanding of Jung.

Archie Smith, 78, Winemaker

WASHINGTON (NYT) — Archie Smith Jr., 78, a Virginia winemaker who had the rare distinction of succeeding in a field where Thomas Jefferson failed, died Sept. 19 in Middletown, Virginia.

The cause was Lou Gehrig's disease, amyotrophic lateral sclerosis.

Mr. Smith was one of a small group of pioneering winemakers who fulfilled Jefferson's agrarian goal of making a good wine in Virginia that provides a livelihood for farmers and their families.

Meredith Vineyard, which Mr. Smith started in 1975 with the boom in American wine consumption, now makes 35,000 cases a year, which is small in comparison with California vineyards.

TRAVEL UPDATE

Russia Tourism Slump

MOSCOW (AP) — The economic crisis in Russia has badly bruised the nation's tourism industry, driving demand for transportation down 25 percent, the Itar-Tass press agency reported Sunday.

Sergei Shipilko, deputy chairman of the Russian State Committee for Physical Culture and Tourism, said at least 30 percent of travel agency employees would probably be laid off in October, Itar-Tass said. He called on the government to support tourism with such measures as a reduction in visa fees.

Budget Airline Grows

BRUSSELS (Bloomberg) — Virgin Express Holdings PLC, a Brussels-based low-fare airline, plans to begin

serving Shannon Airport in Ireland. Virgin will start with two daily flights between Shannon and Stansted Airport, outside London, and with charter flights.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Taiwan.
TUESDAY: India, Paraguay.
WEDNESDAY: Botswana, Israel.
THURSDAY: Burma, China, Cyprus, Hong Kong, India, Macau, Nigeria, Rwanda, San Marino, Sri Lanka, Thailand, Timor-Leste, Vietnam, Yemen.
FRIDAY: Bahrain, China, Guinea, Israel, Hong Kong, India, Macau, Saudi Arabia.
SATURDAY: Germany, Honduras, South Korea.

Sources: J.P. Morgan, Bloomberg, Reuters.

WEATHER

Forecast for Tuesday through Thursday, as provided by AccuWeather.

Europe

Forecast for Tuesday through Thursday, as provided by AccuWeather.

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THE AMERICAS

U.S. House Approves
Tax Cut of \$80 BillionPlan to Return Part of Federal Budget Surplus
Faces Uncertain Senate Future and Veto ThreatBy Richard W. Stevenson
New York Times Service

WASHINGTON — Brushing aside a veto threat from President Bill Clinton, the U.S. House of Representatives has approved an \$80 billion Republican tax-cut plan that would be paid for by projected federal budget surpluses.

The vote Saturday put Republicans a step closer to a politically charged election-year showdown with the White House and congressional Democrats over an issue that both sides believe will play to their advantage.

Republicans said a portion of the excess revenue expected to flow to the government in coming years should be returned to taxpayers, in part to keep Washington from spending it.

Led by Mr. Clinton, Democrats have framed the issue as one of fiscal responsibility, saying that to spend any surpluses before they materialize would endanger efforts to address the long-term financial problems of the Social Security system. Since January, Mr. Clinton has been demanding that Congress set aside every penny of the surplus until it has agreed with the administration on a plan to shore up Social Security.

The bill would provide a tax break for many middle-income married couples, exempt some interest and dividend payments from taxation, reduce inheritance taxes, accelerate a plan to allow the self-employed to deduct 100 percent of their health insurance premiums and extend a credit for corporate research.

The House vote, 229 to 195, was largely along party lines.

The legislation now goes to the Senate, where its prospects are uncertain. Because of the parliamentary rules that will apply to the bill in the Senate, it will require 60 votes for passage, a hurdle that Republicans, who hold 55 seats, said would be difficult to overcome.

Senate Republicans, who earlier this year voted to cut taxes by \$30 billion over five years, could scale back the House bill to try to win votes from wavering Democrats.

Some Republicans have also weighed attaching the tax bill to a package of spending bills to make it more difficult for Democrats to vote against it and to raise the stakes should it come to a presidential veto.

Battered and strained by Mr. Clinton's struggle for political survival, Democrats were clearly happy to turn attention to an issue that could help unify the party and spur more Democrats to turn out at the polls in November.

Mr. Clinton, traveling in California, immediately put out a statement saying that the Republican plan "drains billions of dollars from the surplus before we have done the hard work of strength-

ening Social Security." The president reiterated that he would veto the bill if it reached his desk.

Republicans said the tax burden on citizens, measured as a percentage of total economic activity, was at its highest level since World War II. They said that cutting taxes would help move power out of Washington and back to states and communities while reining in Washington's predilection for ever-larger spending on social programs.

Mr. Clinton has already broken his own pledge to put Social Security first by proposing to use the surplus to pay for emergency spending next year for farm relief, increased security at U.S. embassies and the peacekeeping mission in Bosnia, Republicans said. Moreover, they said, the projected budget surpluses are so large that there is plenty of room for a tax cut without limiting the options for dealing with the looming crisis in Social Security, which will run short of money to pay benefits when the baby boom generation retires.

They said their plan would leave most of the surplus — projected by the Congressional Budget Office to be \$520 billion over the next five years and \$1.55 trillion over the next 10 years — free to help address the looming problems with Social Security.

"The time has come to admit tax-and-spend has failed," said Representative Bill Archer, Republican of Texas, who wrote the tax bill. "It's time to reduce the size of government and to let people keep their tax dollars."

But most Democrats stuck closely to their party line, saying that now is not the time for tax cuts. They said that all the projected surplus for the next five years, and nearly all for the next decade, would come from excess payroll tax payments that are earmarked for Social Security.

Once the Social Security surplus is stripped out of the overall surplus calculations, the Democrats said, there is nothing left to pay for a tax cut, making the Republican plan a threat to the long-term fiscal health of the nation.

"The passage of this bill will make solving the Social Security problem more difficult, plain and simple," said Representative Benjamin Cardin, Democrat of Maryland. "We're raiding Social Security. Without Social Security we have no surplus."

The issue is already showing up in congressional races around the country. The AFL-CIO, a major source of support for Democrats as they struggle to keep Republicans from picking up more seats in the wake of Mr. Clinton's troubles, said it began running television commercials in 20 congressional districts last week trying to rally the public against the tax cuts.



Thousands rallying in Washington to demonstrate for increased funding for cancer research.

Rally Seeks Bigger Cancer Battle

New York Times Service

WASHINGTON — Thousands of people who have cancer, who have overcome it, who have lost friends or relatives to the disease or who are working in laboratories to conquer it marched in Washington to demonstrate for an increase in money for research.

Organizers on Saturday called it the first time that all the major U.S. cancer organizations had rallied together.

One in four deaths in the United States, totaling a half-million annually, is due to cancer.

Bill and Terri Tomoff of Crofton, Maryland, arrived at the rally pulling a little red wagon. In it sat their daughter, Olivia, 6, and son, Ryan, 4, whose leukemia was diagnosed two years ago.

"We'll live the rest of our lives fighting cancer," Mrs. Tomoff said. Her husband said doctors tell

them that three-quarters of children with leukemia survive but often with complications from the treatment.

Some of the sponsors of the rally have called for doubling and redoubling federal financing for cancer research to \$10 billion a year.

Cancer spending is now about \$2.4 billion a year, and budgets approved by the House of Representatives and the Senate would increase spending by 16 percent and 20 percent, respectively, next year.

The rally heard from Vice President Al Gore, the Reverend Jesse Jackson and two survivors of prostate cancer, Norman Schwarzkopf, the retired general, and the financier Michael Milken, whose family foundation helped pay for the event.

"We want to be the generation that wins the war on cancer," Mr. Gore said.

Another Vaccine
For the Early Years

Anti-Pneumococcal Succeeds in Test

By Rick Weiss
Washington Post Service

WASHINGTON — The first experimental vaccine designed to prevent a common and often deadly group of early childhood infections has proved highly effective and may also reduce the number of troublesome ear infections in preschoolers, according to researchers.

The vaccine prevents "invasive" pneumococcal diseases, including life-threatening bacterial meningitis, blood poisoning and pneumonia. Scientists expect it will also help prevent less serious but burdensome and common childhood infections that are caused by the same bacteria.

"This is a tremendous advance," said Jerome Klein, a professor of pediatrics at Boston University School of Medicine and an expert in pneumococcal vaccines. "I don't see anything on the horizon that would inhibit quick approval and an enthusiastic reception by pediatricians."

More than 10,000 U.S. infants and toddlers become ill with invasive pneumococcal diseases annually, with about

half of them dying or suffering permanent brain damage as a result. An estimated 7 million others get ear infections or other complications caused by the same bacterium, *Streptococcus pneumoniae*.

The new vaccine is the first to provide protective immunity against the bacterium in children younger than 2 years old — the age at which they are most at risk of death or permanent injury from such infections.

"My feeling is this really will be the pediatric vaccine of the decade," said Henry Shinefield, who is a co-director of the vaccine study center for Kaiser Permanente in Oakland, California, that conducted the study.

Executives at the vaccine's maker, Wyeth Lederle Vaccines, said the company would apply within three months for Food and Drug Administration approval to market the four-shot regimen. If approved, it would join the half-dozen or so other inoculations recommended for U.S. children. Results of a company-sponsored trial involving 38,000 infants in Northern California were presented Friday.

Wind and Rain Lash Gulf Coast as Hurricane Nears

Compiled by Our Staff From Dispatches

NEW ORLEANS — Rising winds and driving rains lashed the Gulf coast Sunday as the hurricane designated Georges moved closer to the U.S. shore, forcing hundreds of thousands of people to evacuate New Orleans and coastal areas in several states.

With winds of up to 110 miles (175 kilometers) per hour, the storm churned in the Gulf of Mexico near the mouth of the Mississippi River in southeastern Louisiana.

New Orleans is protected by 130 miles of levees, but city officials worried that Lake Pontchartrain and Lake Maurepas could spill over their banks, flooding the city and its suburbs.

More than 1.5 million people had been ordered or urged to leave New Orleans and low-lying coastal areas. Bumper-to-bumper traffic jammed Interstate 10 out of the city into the early hours Sunday, and the American Red Cross said it expected to house 35,000 evacuees in dozens of shelters around the state.

Thousands more were told to leave coastal sections of Mississippi, Alabama and the Florida Panhandle.

Although no serious injuries or deaths have been reported in the United States, at least 300 people died as the hurricane moved through the Caribbean over the past week.

Georges was expected to make landfall later Sunday, the National Hurricane Center in Miami said, but winds of up to 50 mph were already hitting coastal cities from Louisiana east to the Florida Panhandle.

The center also warned that up to 20 inches (51 centimeters) of rain were likely, along with a storm surge of waves 15 feet (4.5 meters) high. The combination was expected to bring heavy flooding along the coast.

A hurricane warning was in effect from Morgan City, Louisiana, to Panama City, Florida.

The storm swept through the Florida

Keys on Friday, and it was advancing northwest through the Gulf of Mexico on Sunday at about 10 miles per hour.

New Orleans officials on Saturday urged residents living inside hurricane protection levees to evacuate, and they ordered a mandatory evacuation by those living outside the defensive embankments.

The normally lively French Quarter was all but abandoned, and many of its stores and restaurants were boarded up.

A Coast Guard spokesman, India Roderick, said, "We're pretty much out of here with our emergency response capability, so I hope nobody gets in trouble until the storm passes."

"Rescue helicopter and boats have been moved completely out of the New Orleans area," he said, "and most of our personnel have been evacuated, too."

City crews sandbagged bridges and streets and closed floodgates in levees that surround the low-lying city.

Mayor Marc Morial warned residents that the hurricane would strike a hard blow.

"This is nothing to play with," he said. "It's a powerful force of nature."

Mr. Morial said he would likely order a mandatory curfew later in the day to make sure people stayed indoors.

The New Orleans airport shut down early Sunday.

In neighboring Mississippi, officials sent tourists scurrying from the state's beaches and casino boats, which began shutting down late last week in preparation for the storm.

Georges was one of four hurricanes plying the Atlantic basin. (Reuters, AP)

Away From Politics

•The Food and Drug Administration has given approval to Herceptin, a closely watched drug for treating advanced breast cancer. Herceptin, which is made by Genentech Inc., is the first "monoclonal antibody" to be approved for the treatment of breast cancer. Herceptin is transfused into the body and then binds to a protein called HER2. That protein is found on the surface of some normal cells and plays a role in regulating cell growth. Some tumors make too much HER2. In clinical trials, Herceptin stunted growth of those tumors. (WP)

•The Pentagon has ordered a broad review of all military Internet sites open to the public to ensure no information there could compromise national security or endanger Defense Department personnel. Deputy Defense Secretary John Hamre, who issued the order, said he recently discovered that some Web sites were offering "too much detail on Defense Department capabilities, infrastructure, personnel and operation procedures," posing a potential threat to U.S. troops and military operations. (WP)

•Conditions in New York City's parks are considerably poorer than city officials say, partly because most of the more than 27,000 acres (10,900 hectares) of parkland are never inspected, a private parks group says in a report to be issued Monday. It found benches collapsing, paths in shambles, landscape overrun by weeds and almost no working drinking fountains. (NYT)

POLITICAL NOTES

From D'Amato,
A 'Liberal' Refrain

NEW YORK — In the very first sentence of a commercial that he unveiled on the very first day of his general-election campaign, Senator Alfonse D'Amato, Republican of New York, signaled his plan of attack on his Democratic challenger, Representative Charles Schumer.

To anyone who had followed Mr. D'Amato's previous campaigns, or the candidacies of a dozen Republicans across the nation who read from the same strategic playbook, it was anything but a surprise.

"Chuck Schumer's a New York City liberal, and he proves it every day," the announcer proclaims, as the word "liberal," in bold block letters, rolls across the screen. Since then, virtually every campaign statement, television advertisement and speech by Mr. D'Amato that mentions Mr. Schumer has been larded with the word.

In casting the race in such terms, Mr. D'Amato and his chief political adviser, Arthur Finkelstein, are reviving a strategy that helped the Republicans become the majority party in Congress in 1994.

But many analysts say it is a strategy that has lost its bite. In 1996, a half-dozen of Mr. Finkelstein's clients who used variations on the "liberal" theme lost their elections. (NYT)

Protests Outside,
Big Donors Inside

SAN JOSE, California — Hundreds of protesters were chanting outside, but the words inside for President Bill Clinton were warm and admiring. They called him "The Commander of Geeks" and handed him \$650,000 for Democratic campaigns — more money than executives from Silicon Valley had given Mr. Clinton in his two previous political fund-raising trips to the region.

Some high-tech leaders may have shunned the gathering Saturday night in anger over the president's conduct with Monica Lewinsky, but the computer entrepreneur who was host of the event, John Doerr, co-founder of TechNet, called it "the most successful fund-raiser," adding, "Silicon Valley is proud to be with you."

Quote/Unquote

Steven Grossman, co-chairman of the Democratic National Committee, on the silver lining behind the Clinton scandal: "We're much stronger than we would have been. Good times create complacency and apathy, which are the enemies of our party. When things are good, people tend to stay home. Sometimes you need a crisis, an existential crisis, to motivate you." (NYT)

AMERICAN
TOPICS

Georgia Defends Peanuts

Peanuts are big business in Georgia, where they generate more revenue — about \$500 million a year — than any other crop but cotton. So Georgians are not terribly happy about the recent peanut butter bans declared by some private New York schools or a federal order that airlines offer peanut-free zones.

"People are going to be allergic to things," said Jerry Ury, executive director of the Georgia Peanut Producers Association. "To have peanuts singled out seems unfair." Peanut promoters say the war on peanuts and peanut butter is based on exaggerated fear and motivated by threat of lawsuits.

The Centers for Disease Control

reported a total of 88 deaths from all food allergies from 1979 to 1995. But the Food Allergy Network argues that deaths are considerably underreported. The nonprofit group estimates that 125 Americans die each year from food allergies, mainly to peanuts.

The Virginia-based allergy network does not support peanut bans in school, but it does favor peanut-free zones on passenger planes. Peanut-belt lawmakers objected so strenuously to the zones — a minimum of three rows of seats — that Transportation Secretary Rodney Slater has agreed to review the policy.

Meanwhile, the American Peanut Council says the industry supports research to develop allergy-free peanuts and vaccines against peanut allergies.

Short Takes

Motorcycle-mounted paramedics will make their U.S. debut this week, according to St. Barnabas Health Care System. Twelve paramedics for the hospital system in

densely inhabited New Jersey will share two BMW motorcycles. "Am-bulances do not do well in traffic jams," said Dr. Jay Kaplan, chairman of the Saint Barnabas emergency services. Each bike will carry medicines, trauma equipment and defibrillators.

Los Angeles is thought of as a city of slavish devotion to the automobile. But it also has large numbers of pedestrians. And the combination has made the city the most dangerous for pedestrians in the country. In 1996, the most recent year for which statistics are available, 1,382 pedestrians were killed or injured on Los Angeles streets, far more than in the runner-up cities, New York and Chicago.

One reason, notes The Chicago Tribune, is that a state law that once gave pedestrians the absolute right-of-way was modified several years ago. Now pedestrians must yield in areas of heavy traffic — and in California, that means almost everywhere.

Brian Knowlton

Cindy
Crawford's Choice

Constellation
Stainless steel with diamond-set bezel.
OMEGA — Swiss made since 1848.

Omega -- my choice Cindy Crawford

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INTERNATIONAL

U.S. Tries Again to Get A Mideast Peace Deal

Compiled by Our Staff From Dispatches

NEW YORK — Secretary of State Madeleine Albright held separate talks over the weekend with the Palestinian leader, Yasser Arafat, and Prime Minister Benjamin Netanyahu of Israel in a fresh effort to conclude a peace deal and forestall Mr. Arafat's threat to declare a Palestinian state.

After seeing Mr. Arafat on Saturday night, Mrs. Albright said that the meeting was "good," but she and other U.S. officials declined to elaborate. She then drove several blocks to Mr. Netanyahu's hotel and held an 80-minute meeting with the Israeli leader. Mrs. Albright was shuttling between New York and Washington as part of an urgent U.S. push in the next few days to try to lock in progress on key issues that Israel and the Palestinians have been negotiating for 18 months without success.

The goal is to announce some kind of concrete progress this week. Mr. Arafat and Mr. Netanyahu are to meet separately with President Bill Clinton in Washington, but officials say a three-way meeting could be arranged if events warranted it.

"The Israelis have done their half and we're waiting to see what the Palestinians are going to do on security," an Israeli diplomat said.

The State Department spokesman, James Rubin, said that "our view is that it would be a mistake and not helpful for Chairman Arafat to make a unilateral statement" that he intends to set up a state on the West Bank and in Gaza.

Mr. Rubin said there was no expectation that Mrs. Albright's efforts would soon achieve the comprehensive accord on further Israeli troop withdrawals from the West Bank and Palestinian security commitments that the two parties have been seeking.

Instead, in an effort to salvage a peace process that has deteriorated ominously, the United States is seeking in the near term practical agreements that "advance or solve key issues," Mr. Rubin said.

"That doesn't mean it's an agreement and it's an accord," he said. "It just means that key aspects can be agreed."

Mr. Rubin did not specify what a partial agreement might cover. But major items under discussion include security, withdrawal of Israeli troops from the West Bank, establishment of a Gaza industrial zone and an airport, and "unilateral actions" that could harm peace efforts, like further Israeli settlements or a declaration of Palestinian statehood.

(Reuters, AP)

Tired Mandela Is Home Early

Compiled by Our Staff From Dispatches

TORONTO — After a grueling four weeks of state visits, an exhausted President Nelson Mandela of South Africa has cut short his tour of North America and returned home ahead of schedule.

Looking extremely unsteady, Mr. Mandela, 80, was persuaded by aides to cut short his appearance at a luncheon with Canadian and South African businessmen on Friday and to cancel a scheduled news conference a little later.

But after being treated by his physician and resting for about six hours, Mr. Mandela reappeared to make a shortened speech at a dinner with Prime Minister Jean Chretien of Canada.

Mr. Mandela appeared to be in good spirits, and joked with reporters who questioned him about his health, saying he was ready to challenge them to push-ups.

"He has been examined by his physician," said Mr. Mandela's chief of staff, Jakes Gerwel. "There's nothing wrong with him, but he is very exhausted."

In the last four weeks, Mr. Mandela has played host to a visit by President Fidel Castro of Cuba, been chairman of a southern African summit meeting and visited Mauritius, the United States and Canada.

(AFP, AP)



Margalit Har-Shefi, right, standing in a Tel Aviv court Sunday with her mother and a relative.

Friend of Rabin's Killer Is Jailed

She Knew of Assassin's Plans but Did Not Warn Authorities

By Joel Greenberg
New York Times Service

JERUSALEM — A woman friend of Yigal Amir, the assassin who gunned down Prime Minister Yitzhak Rabin three years ago, was sentenced Sunday to nine months in prison for failing to prevent the slaying.

The 23-year-old woman, Margalit Har-Shefi, from the Jewish settlement of Bet El in the West Bank, stood silently with downcast eyes as the sentence was pronounced at the Tel Aviv Magistrates Court.

She later called it "a miscarriage of justice," and her lawyer said he would appeal.

Imposing the sentence, Judge Nira Lidski said that had Miss Har-Shefi "shown greater responsibility required by law and taken reasonable measures to prevent the crime, this despicable murder might never have been committed."

Miss Har-Shefi, a religious Jew who attended law school with Mr. Amir at Bar-Ilan University near Tel Aviv, was convicted three months ago of

failing to report Mr. Amir's warnings that he would kill Mr. Rabin.

Judge Lidski said in the verdict that Miss Har-Shefi knew that Mr. Amir, a religious militant, had been plotting for months to kill Mr. Rabin, and that he had told her of two aborted attempts he had made to shoot the prime minister. Mr. Amir assassinated Mr. Rabin in 1995 and is serving a life sentence.

Breaking a public silence, Miss Har-Shefi read a prepared statement to reporters after Sunday's sentencing, describing Mr. Amir's threat to kill Mr. Rabin as "sounding so imaginary and so unrealistic then" that she did not believe that he was going to act.

"They say that I could have prevented the murder of the prime minister," Miss Har-Shefi said. "I wish I could have. Who imagined that this terrible thing was really going to happen?"

She added: "Had I even the slightest suspicion that this man meant what he was saying, I not only would have reported it, but I would have considered it a mission and a fulfillment of a moral and religious obligation of the highest order."

Ankara Strengthens Iraqi Ties

ANKARA — Turkey said it would upgrade its diplomatic relations with Iraq in angry response to a U.S.-backed agreement between Iraq's Kurdish opposition.

Deputy Prime Minister Bulent Ecevit said in a statement Saturday that Turkey planned to send an ambassador to Baghdad for the first time since 1992.

Turkey, which fears Iraqi Kurdish separatism could encourage its own restive Kurds, will also help speed up the appointment of an Iraqi ambassador to Ankara. The post has been vacant for several months.

"These mutual appointments will aid our dialogue and relations with the Iraqi administration," Mr. Ecevit said.

Turkey has complained it was left out of a deal struck in Washington this month between the Iraqi Kurdish faction leaders Massoud Barzani and Jalal Talabani. (Reuters)

Algeria Bomb Kills at Least 4

ALGIERS — A bomb killed at least four people and wounded 24 Sunday, government security forces said.

The bomb exploded in the town of Khemis, 100 kilometers (60 miles) southwest of Algiers, said a statement carried by the official press agency APS. Security forces blamed Muslim rebels for the blast.

Algerian newspapers reported Sunday that seven people had been killed in other violence. At least 26 people were killed and 150 others wounded nine days ago when a bomb ripped through an open-air market in Tiarat, 230 kilometers southwest of Algiers, according to an official toll. (Reuters)

Israelis Assess New Iran Missile

JERUSALEM — The parading in Iran of a missile capable of reaching Israel set off sharp debate on Sunday, with a prominent politician scolding another for saying Israel should consider a preemptive strike.

Uzi Landau, chairman of the foreign affairs and security committee in Parliament, told Israel radio that such "unnecessary chatter" could heighten the likelihood of Israel being targeted.

Iran on Friday displayed its medium-range Shahab-3 missile during a military parade. (AP)

Colombia Rebel Seeks Swap

BOGOTA — The top guerrilla leader has presented a list of 245 soldiers and police officers held by his group that he wants to swap for insurgents imprisoned in Colombia.

Manuel Marulanda, commander of the Revolutionary Armed Forces of Colombia indicated Saturday that he wanted the exchange before peace talks begin. (AP)

Serbs Attack

Slovak Oppos

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EUROPE

Serbs Attack Again, Ignoring NATO

The Associated Press
PRISTINA, Yugoslavia — Brushing aside NATO threats, Serbian forces have begun a new offensive in southern Kosovo against ethnic Albanian rebels, who apparently regrouped in the area, Serbian and Albanian sources said Sunday.

A police official said many units, including specially trained elite troops, had begun a mop-up operation aimed at purging the secessionist Kosovo Liberation Army from the area, 45 kilometers (30 miles) southwest of the provincial capital, Pristina.

The latest action followed a strong Serbian offensive against rebels in another area, Drenica, situated northwest of here. That offensive came as the United Nations Security Council demanded an end to the Serbian crackdown and NATO prepared plans for air attacks unless the fighting stopped.

In Bosnia-Herzegovina, Defense Secretary William Cohen repeated warnings that the Yugoslav president, Slobodan Milosevic, has only "a short period of time" to comply with international demands to end the Kosovo conflict.

"A failure to do so presents the possibility that a military operation against Mr. Milosevic would be necessary," Mr. Cohen said in Sarajevo. "A failure to do so on his part will be met with very strong NATO action, in my judgment."

But Mr. Cohen acknowledged that

NATO members had not yet resolved whether a UN resolution adopted last week provided a sufficient legal basis to launch air strikes.

And he emphasized that the United States would not act alone.

"I've tried to make it very clear the United States is not going to act unilaterally," he said after lunching with U.S. troops at the headquarters of the NATO-led Stabilization Force in Bosnia. "It's either NATO or there won't be any action."

"There's been some talk about a coalition of the willing, but I believe it is NATO's responsibility to take action here if Milosevic doesn't stop what he's doing," Mr. Cohen said.

Mr. Cohen also praised progress made so far in rebuilding Bosnia and promised continued U.S. help to all groups that supported the U.S.-brokered peace agreement that ended the war.

"Today, hope has replaced fear and life has replaced death and building is now replacing destruction," Mr. Cohen said at the end of a one-day visit.

He said he was impressed with the progress since his visit in 1996. In Kosovo, meanwhile, the Albanian-run Kosovo Information Center said Serbian forces were attacking from three directions near the towns of Surva Reka, Urosevac and Stimlje, southwest of Pristina.

According to the Albanians, the attack was focusing on 11 villages in the area,

three of which were on fire Sunday. Albanian sources said 47 Serbian tanks and 57 trucks were seen massing in the area late Saturday.

The separatists have suffered defeats in southern Kosovo earlier this year, but apparently regrouped.

According to the police sources, the rebels recently kidnapped two local Serbs, a 25-year-old and a teenager, which prompted the new action.

Accord on Mixed Troop Unit

Steven Lee Myers of The New York Times reported earlier from Skopje, Macedonia:

Seven Southeast European countries agreed over the weekend to create a multinational military force that could be used for peacekeeping or aid operations in the Balkans and elsewhere.

Three NATO allies — Italy, Greece and Turkey — joined Albania, Bulgaria, Macedonia and Romania in agreeing to the force, which will be a brigade with 3,000 to 4,000 troops divided into 14 companies by the time it is ready, probably next year.

The countries' defense ministers signed a pact creating the force after meeting Saturday in the Macedonian capital.

The United States has welcomed the force, not so much for its military significance as for the cooperation between countries that have a history of rivalries and tensions.

BRIEFLY



VINTAGE PARIS — Cars of all makes and years rolled down the Champs-Élysées Sunday to mark the 100th birthday of the Paris Motor Show.

NATO Troops Seize Bosnia Serb

SARAJEVO, Bosnia-Herzegovina — NATO troops arrested a former Bosnian Serb police chief indicted by the international war crimes court for murder, rape and other crimes against Muslims and Croats during the 1992-1995 Bosnian war, officials announced Sunday. Stevan Todorovic, 41, was apprehended without incident in the northern town of Bosanski Samac, about 70 kilometers (45 miles) northwest of Sarajevo, a NATO statement said. (AP, Reuters)

Belgian Resigns Over a Death

BRUSSELS — King Albert accepted the resignation of Interior Minister Louis Tobback because of the death of a Nigerian woman who was being forcibly deported. The announcement Saturday night followed a ceremony for Senra Adamu, attended by thousands of mourners and protesters. (Reuters)

For the Record

Swiss voters appeared to have narrowly approved a new system of truck taxes that was billed as a precondition for closer ties with the European Union. (Reuters)

At least 50 people were injured Sunday when an apparent propane gas explosion caved in the roof of a café in Palma, Majorca, officials said. (Reuters)

The British Labour Party opened its annual conference Sunday in Blackpool with left-wing victories in party elections, marking the first setback for Prime Minister Tony Blair and his centrist policies. (AP)

A Catholic Leader Criticizes Sinn Fein

Party, He Says, Should Do More To Solve IRA Disarmament Issue

By James F. Clarity
New York Times Service

DUBLIN — Seamus Mallon, the highest-ranking Roman Catholic official in Northern Ireland, on Sunday accused Sinn Fein, the political wing of the Irish Republican Army, of impeding the peace effort in Ulster.

In rare criticism of Sinn Fein, Mr. Mallon, the first deputy minister of the new Northern Ireland Assembly, said the party of Gerry Adams was being "too put" in its refusal to help solve the growing dispute over disarmament of the outlawed IRA.

Mr. Mallon, who is also a member of the Parliament in London, also criticized his superior, First Minister David Trimble, the head of the Protestant Ulster Unionist Party, for failing to agree to a compromise on the disarmament problem.

But his sharpest words, in an interview on Irish national radio, were directed at Sinn Fein, whose participation in the Assembly he has long supported. Mr. Mallon has in recent months become the leader of mainstream Catholics in the North, replacing John Hume, who is an Assembly member but has been playing a secondary role in the disarmament dispute. Mr. Mallon and Mr. Hume are leaders of the Social Democratic and Labour Party, which represents a majority of Catholics in the North.

Sinn Fein claims it represents only its voters, not the IRA, an assertion that is scoffed at by most political leaders, experts and ordinary people in the North. Mr. Adams says he cannot guarantee that the IRA, which has been observing a cease-fire for 14 months, will begin to disarm before the new peace agreement is fully enacted, as scheduled, by May 2000.

But on Sunday, Mr. Mallon

said Sinn Fein should agree to a scheduled IRA disarmament in the coming weeks. "It is time to give some very substantial confidence-building to the unionist community," he said.

A tentative disarmament schedule is being prepared in the North by General John de Chastelain, former chief of staff of Canada's armed forces and now the head of a disarmament commission established in the peace agreement approved in the spring.

Mr. Mallon said he would be discussing such a schedule this week with Prime Ministers Tony Blair of Britain and Bertie Ahern of the Irish Republic. Failure to reach a compromise on disarmament could "damage the peace process" and "poison the body politic," he said.

Mr. Trimble says the peace agreement implies that some disarmament must begin soon. Mr. Adams, the Sinn Fein president, says there is no such stipulation in the agreement. The agreement says that all parties will work toward disarmament, but does not say when it must start.

The IRA has an estimated 100 tons of weapons, including explosives, which it says it has no intention of giving up. Mr. Trimble insists that until some form of disarmament has begun, Sinn Fein will not be given ministerial posts in the new provisional government.

That government is to take over many local powers from the British government early next year.

One of the pivotal provisions of the peace agreement, the cross-border North-South Ministerial Council, which is to meet late next month, is designed to give the overwhelmingly Catholic Irish Republic more influence in Northern affairs. But if Sinn Fein were excluded from the new council because of the disarmament dispute, the body would be ineffectual.

Slovak Opposition Parties Topple Meciar

Compiled by Our Staff From Dispatches

BRATISLAVA, Slovakia — A bastion of authoritarian rule in Central Europe appeared set to collapse Sunday after election results showed voters rejecting the government of Prime Minister Vladimir Meciar.

Opposition parties, which together won a majority in the general elections, said they wanted to form a government, effectively dashing Mr. Meciar's hopes of staying in power.

The four parties, which span the political spectrum, ruled out any cooperation with Mr. Meciar and called for the new Parliament to be convened soon to allow them to form a cabinet.

"The participants of the democratic roundtable expressed a common will to form a new Slovak government," the leader of the Slovak Democratic Coalition, Mikulas Dzurinda, said after talks with the three other parties.

Full, unofficial results indicated that the opposition parties had won 93 of the 150 seats in Parliament.

The results put the 43-year-old Mr.

Dzurinda in a position to replace Mr. Meciar as prime minister if the opposition alliance can withstand what promises to be weeks of political pressure and hard bargaining.

Mr. Meciar, 56, whose government has been criticized in the West for backsliding on democracy, had hoped to lure one or more of the parties into an alliance that would keep him in power.

Mr. Meciar's Movement for a Democratic Slovakia had considered the Party of the Democratic Left, the former Communists, as a potential ally, but the party leader, Jozef Migas, rejected any suggestion that his or any of the other parties would team up with the prime minister.

Mr. Migas said the creation of a government with Mr. Meciar's party was "unacceptable for us."

The deputy chairman of Mr. Meciar's party, Sergej Kozlik, said earlier Sunday that his party, which remained the biggest in Parliament, wanted to form a government. The leader of the biggest party is by tradition asked first to try to assemble an administration.

The Movement for a Democratic Slovakia "won the election and will behave like a winner," Mr. Kozlik said. "There is no reason for Prime Minister Meciar to quit politics."

The opposition combines the Slovak Democratic Coalition on the right and the Party of the Democratic Left, with the center-left Party of Civic Understanding and the ethnic Hungarian Coalition Party in the center.

Mr. Meciar's options are limited. His biggest coalition partner in the outgoing government, the Workers Party, failed to get into Parliament at all.

Combined with his remaining partner, the far-right Slovak National Party, Mr. Meciar will control just 57 seats, 19 short of a majority.

President Vaclav Havel of the Czech Republic said that the vote provided a mandate for bolstering democracy in Slovakia, which split from Czechoslovakia in 1993. "I hope and I believe that the young Slovak state is on the right track," he said in a telegram to Mr. Dzurinda. (AP, Reuters)

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ASIA/PACIFIC

China's Plan to Deploy Troops After '99 Takeover Rattles Macau

By Mark Landler
New York Times Service

MACAU — For years, the looming reversion of this Portuguese colony to China has been little remarked on and largely forgotten — a bit of colonial housekeeping lost in the wake of Hong Kong's momentous handover from Britain.

But now, this other handover is suddenly generating some drama of its own. The Chinese government announced in early September that it planned to deploy troops in Macau after it takes possession of the colony on Dec. 20, 1999. The decision is an about-face for Beijing, which has long said it did not see the need to establish a garrison on this small patch of land on its southeast coast.

Beijing's surprise move is not playing well with Macau's lame-duck lead-

ers. The Portuguese governor of Macau, General Vasco Rocha Vieira, said China was putting a "new interpretation" on the 1987 joint declaration that set the terms for Macao's handover. The deal, he noted, said nothing about soldiers.

On Thursday, Portugal ratcheted up its disapproval. A senior adviser to the Portuguese prime minister said in an interview with Macau's leading Portuguese-language newspaper that there was "no need" to station troops in the territory.

"Portugal and China may be entering a new phase in their relations," said Fok Kai Cheong, a history professor at the University of Macau.

China insists it has a right to deploy troops because, after the handover, it will be responsible for Macao's national security and defense. When China took control of Hong Kong last year, several

thousands of troops from the People's Liberation Army immediately rolled across the border. Most of the soldiers promptly disappeared into their barracks and have not been spotted since.

But several experts noted that the relationship between China and Portugal is very different from that between China and Britain.

Portugal established Macau in 1557, more than two centuries before British ships dropped anchor in Hong Kong. And while Portugal has been more amenable about giving up its last foothold in Asia, it has its own sensitivities and points of contention.

"It's all very well to have troops in Hong Kong, but Macau is much smaller," Mr. Fok said. "How do you do it here?"

Although China and Britain quarreled over many aspects of Hong Kong's handover, the deployment of

troops was not one of them. Because Britain had always maintained a garrison in the territory, it seemed a foregone conclusion that China would replace the British soldiers with its own.

Portugal, by contrast, has had a generally harmonious relationship with China. But experts here said the deployment of troops had struck a nerve with Portugal because it withdrew its own soldiers from the enclave in 1974, after the Portuguese revolution.

Legal experts said that while there were no provisions in the Sino-Portuguese Joint Declaration stipulating that troops be deployed, there were also no prohibitions against a Chinese military presence.

"Whatever the presence of troops, it's likely to be more symbolic," said Nino Riquito, a professor of law at the University of Macau.

What concerns people here is the timing: China has decided to send in troops just as Macau's gang wars are flaring up again. China's deputy prime minister, Qian Qichen, said Beijing was "very concerned" about security in the enclave. Although Mr. Qian said law enforcement was Macau's responsibility, he said the presence of troops would contribute to stability.

That has fed suspicions that China plans to use the army more for law and order than defense. If true, experts said such a policy would violate Portugal's handover agreement, which — like Hong Kong's — guarantees the enclave a high degree of autonomy in internal affairs.

"The problem is that Beijing is not likely to play by the law," said Ng Kuok Cheong, a legislator who is a sort of one-man opposition party. "The troops may behave themselves in 1999. But what about 50 years later?"

BRIEFLY

Police and Shiites Clash in Karachi

KARACHI, Pakistan — Hundreds of Shiite Muslim mourners exchanged gunfire Sunday with security forces in Karachi, leaving two people dead and six wounded, the police said.

The Shiite protesters blocked roads and attacked vehicles in Karachi's eastern district during a funeral procession for their religious leader and his son, who were killed Saturday. Two soldiers were among the injured.

Safar Ali, 60, a Shiite leader, and his son Rajab Ali, 28, were killed by two unidentified gunmen outside their shop in the Eidgah district of Karachi.

Police officials said they suspected rival Sunni extremists were involved in the killings. (AP)

Taiwan to Discuss Opening to China

TAIPEI — Government officials in Taiwan will meet business leaders this week to discuss relaxing restrictions on investments in China, in a sign of improving relations with Beijing, a newspaper reported Sunday.

Prime Minister Vincent Siew will meet Wednesday with Taiwan's leading 200 investors in China, where Taiwan's entrepreneurs have invested an estimated \$30 billion, the United Daily News said.

President Lee Teng-hui, who introduced the regulations on investments in China, will meet the same group Friday, it said. (AP)

49 Die in Sri Lanka In Battle for Road

COLOMBO — In a battle to control a strategic highway, at least 49 combatants were killed in fighting between government soldiers and Tamil Tiger rebels in northern Sri Lanka on Sunday, the military said. The dead included 40 rebels and nine soldiers in the fiercest fighting in two months, it said.

The rebels attacked soldiers near Paranthan, a town 280 kilometers (175 miles) north of Colombo, the Sri Lankan capital.

"At present, troops are in full control of the situation, and clearing operations are in progress," the military said, adding that a large number of rebels had been wounded. (AP)

Burma Releases 6

RANGOON — The military government said Sunday it had released six opposition members, bringing to 13 the number of National League for Democracy supporters released in recent days. But the league, which celebrated its 10th birthday Sunday, said hundreds of its members remained in detention.

The governing State Peace and Development Council said the six opposition members were released at the end of last week after a successful "exchange of views."

It added that "view exchanges between the government and other NLD members are continuing." (Reuters)

U.S. Gets Smaller Share Of Foreign Students

American Colleges' High Costs Deter Some

By William H. Honan
New York Times Service

NEW YORK — American colleges and universities, long the world leaders in attracting international students, are seeing a decline in their dominance, U.S. government analysts and education officials have reported at a conference in Washington.

Moving vigorously into the competition for international students are Australia, Canada, Latin America, New Zealand and members of the European Union, according to the Institute of International Education, which conducts an annual study of students who travel abroad.

"I won't say we've lost our competitive edge, but we can no longer take things for granted," said Joseph Duffey, director of the U.S. Information Agency, which, with the Educational Testing Service, sponsored the conference last week at the State Department.

The United States is still by far the most popular destination for foreign students, attracting about 458,000 in the 1996-97 academic year, the USIA said. Next was France, which draws about 170,000 every year, according to figures provided by Unesco.

The number of foreign students studying in the United States increased steadily after World War II, but has been flat since 1993, speakers at the conference said.

But, as the number of students studying in other countries has risen, the U.S. share has shrunk. Five years ago, about 40 percent of all international students studied in the United States. Today, only 33 percent do, according to USIA figures.

The decline was attributed to the relatively high cost of American colleges and universities and to vigorous recruiting in recent years by colleges in other countries.

Since 1990, for example, the number of international students attending Australian colleges and universities has increased tenfold.

Keith Geiger, director of academic programs for the USIA, said: "Australian universities are much cheaper than their counterparts in the United States, and they are a whole lot closer to home for people in Southeast Asia, which is the largest provider of international students."

The decline in the percentage of foreign students attending colleges and universities in the United States cannot be explained by the Asian economic crisis, because the decline began five years ago; the Asian crisis began last year.

Stephen Trachtenberg, president of George Washington University, who took part in the conference, called the trend "the sincerest form of flattery."

"What's happened," Mr. Trachtenberg said, "is that after many foreign students have earned degrees from American institutions they then use their knowledge and experience to establish similar institutions in their home countries."

The way to reverse the trend, Mr. Duffey said, is "to make our institutions more user-friendly, to explore things like joint degree programs, to see if there aren't unnecessary barriers and to explore helpful partnerships with industry and philanthropy."

Participants in the conference agreed that the effect of the Asian economic crisis was only beginning to be felt.

Nine of the 10 leading sources of foreign students in the United States are in Asia. Canada is the only non-Asian one among the 10.

In the 1996-97 academic year, according to the institute, Japan supplied the largest number of international students to colleges in the United States, 46,292.

China, excluding Hong Kong, was next, with 42,503 students, followed by South Korea (37,130), India (30,641), Taiwan (30,487) and Canada (22,984). Others in the top 10 are Malaysia, Thailand, Indonesia and Hong Kong.

The financial crisis in Asia has forced many Asian students studying abroad to seek cheaper housing, get part-time jobs or transfer to colleges in less expensive countries.

The U.S. Immigration and Naturalization Service has stepped in to loosen work rules for foreign students. And a few colleges are adjusting student grants to make up for falling exchange rates.

But other colleges have not made adjustments, and increasing numbers of Asian students are finding that currency devaluations, bankruptcies and stock market losses at home have put education in the United States out of their reach.



PAN-ASIA MASQUERADE — Sri Lankans performing a traditional dance at the Andong International Mask Dance Festival in South Korea, which also featured artists from Japan, Thailand and Tibet.

U.S. Weighed Bomb Raid on China in '64

By Jim Mann
Los Angeles Times Service

WASHINGTON — Amid the utmost secrecy, top aides of President Lyndon Johnson agonized during the early months of 1964 over a pre-emptive strike against the United States' bomb China to stop it from becoming a nuclear power.

"I'm for this," scribbled Mr. Johnson's national security adviser, McGeorge Bundy, on one memo about a possible pre-emptive strike that might cripple Chinese nuclear installations.

The Joint Chiefs of Staff studied options for military action, including the use of U.S. nuclear weapons. The CIA plotted covert action against Chinese facilities at Lop Nor. American officials even sounded out the Soviet Union about collaborating to stop China from getting the bomb.

The Soviets were not interested, and Johnson administration officials decided, after considerable debate, that the problem was not worth the risks inherent in a military attack. In the end, the United States resigned itself to China's possession of nuclear weapons.

The details of this hidden drama are unveiled for the first time in a collection of documents recently made public by the U.S. State Department.

Since the advent of nuclear weapons during World War II, there has been only one instance where a nation used military force to stop another country from becoming a nuclear power: In 1981, Israel bombed an Iraqi nuclear reactor at Osirak in an action that damaged Iraq's nuclear program.

The first nuclear test by China, on Oct. 16, 1964, marked the last time until this year that any country openly sought to break into the elite club of declared nuclear powers.

In 1964 only the United States, the Soviet Union, Britain and France had nuclear weapons. India and Pakistan conducted nuclear tests in May; India tested a nuclear weapon in 1974 but not openly. Israel is assumed to have nuclear weapons, but has never acknowledged it.

The secret memos in the historical documents are dry in language but scary in their implications.

"The Chinese could eventually do significant, but not crippling, damage to U.S. forces in Asia, while the United States will have the ability to destroy Communist China," says one memo on the military implications. "This makes

Chinese first-use of nuclear weapons unlikely."

U.S. efforts to stop China from getting the bomb actually began under President John Kennedy. At the time, the United States had better relations with the Soviets than it did with China. In 1963 the United States and the Soviet Union signed the nuclear test ban treaty.

On Dec. 14, 1963, the answer came back. The Joint Chiefs said a bombing operation against China would be feasible. However, they added, if there were to be such an attack, they recommended consideration of the use of American nuclear weapons.

But American policymakers realized that military action would have only limited success.

LANGUAGE

Playing, and Talking, With a Full Deck

By Richard Lederer

NEW YORK — My son and daughter live and move and have their beings in that windowless, clockless pleasure dome known as Las Vegas. I'm pleased to report that in May, in a packed room at Binion's Horseshoe Casino in downtown Vegas, they placed sixth and seventh in the seven-card stud competition, the only sibling pair ever to reach the finals in the World Series of Poker in the same game.

My children have also won national tournaments with exotic names like the Diamond Jim Brady Texas Hold 'Em Shootout and the Hall of Fame Classic Deuce-to-Seven Lowball Draw No-Limit. If you can't already tell, I'm proud of my kids, especially because they possess such passion for what they do.

My children's achievements in the gaming halls inspire me to play with a full deck of vivid words and phrases, that have made the trip from the poker table into our everyday conversation and writing. The same color and high-risk excitement of poker that inspired 352 players to plunk down \$10,000 each in the 1998 world championship event at Binion's have made the language of poker one of the most pervasive metaphors in our language.

The basic elements of poker are the cards, the chips and the play of the hand. From the game of five-card stud descends the expression back-to-back victories, from a fortuitous ace-down-up as the first two cards. Be on guard for a cards sharp who will give you a fast shuffle, in which you may get lost in the shuffle. You might call such a low-down skunk a four-flusher — a poker player who pretends to hold a flush (from the Latin *fluxus*, because all five cards flow together), but in fact

holds a worthless hand of four same-suit cards and one that doesn't match. Now that we've laid our cards on the table, let's see what happens when the chips are down. We call a gift-edged, sure thing stock a blue-chip security because blue poker chips are the most valuable.

When we compare the worth and power of two things, we often ask how one stacks up against the other, as in "How do the Knicks stack up against the Heat?" Here, the reference is to the columns of chips piled up before the players around a poker table. These stacks also account for the expressions bottom dollar and top dollar. Betting your bottom dollar means wagering the entire stack, and the top dollar, or chip, is the one that sits atop the highest pile on the table. Indeed, the metaphor of poker chips is so powerful that one of the euphemisms we use for death is *cashing in one's chips*.

The guts of poker is the betting. If you want to call my bluff on that one, I insist that I put up or shut up. I'll be happy to put my money where my mouth is.

Say you're involved in a big business deal. You let the other guy know that you're not a piker running a penny-ante operation. One theory traces piker to westward migrants from Pike County, Missouri. These small farmers were less inclined than hardened veterans to risk high stakes, and the county name came euphemistically to designate penny pinchers. Ante, from the Latin for "before," refers to chips placed in the middle of the poker table before the betting begins, so a penny-ante game is fit only for pikers.

Pass the buck is a common expression that means "to shift responsibility." But why, you may have asked yourself, should handing someone a dollar bill indicate that responsibility is in any way transferred? Once again the answer can be found in high-stakes gaming halls and riverboats. The buck

in pass the buck was originally a poker term designating a marker that was placed in front of the player whose turn it was to deal the next hand. This movable object varied the order of betting and kept one person from dealing all the time, thus transferring the disadvantages of being the first to wager and cutting down on the chances of cheating. During the heyday of poker in the 19th century, the marker was often a hunting knife whose handle was made of a buck's horn. The marker defined the game as Buckhorn Poker or Buck Poker and gave us *pass the buck*.

In the Old West, silver dollars often replaced buckhorn knives as tokens, and these coins took on the slang name *buck* for their own. President Harry Truman adopted the still-famous motto "The buck stops here," meaning that the ultimate responsibility rested with the president.

The cleverest application of poker terminology that I have ever encountered appears on the truck of a New Hampshire plumbing company: "A Flush Is Better Than a Full House." In poker that isn't true, but any homeowner recognizes its wisdom.

Great poker players must have a firm grounding in the statistics of card distribution and probability but, as my son and daughter the poker champions explain, "To play poker at the highest level is to read people — their faces, their body language and their behavior patterns." Language and people are inextricably intertwined. The democratic poetry of poker that pervades our American language is a vivid emblem of the games that we, as a civilization, watch and play.

It's in the cards. You can bet on it.

Richard Lederer, the author, most recently of "The Word Circus," wrote this for The New York Times. William Safire is on vacation.

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INTERNATIONAL

EU Now Expects Germany to Press for a Better Deal on Budget

By Barry James
International Herald Tribune

PARIS — Gerhard Schröder's victory in the German general election Sunday left Spain as the only major European Union member still under a rightist government.

But European Union sources said they did not expect major changes in German policy toward the 15-nation bloc to result from the changeover.

Mr. Schröder, a relative novice in foreign affairs, has committed himself to the main directions of EU policy, including monetary union, which is due to start Jan. 1, and enlargement toward Eastern and Central Europe after the turn of the century. But the EU expects Germany to be

increasingly intransigent in demanding a substantial reduction of its share of the EU budget.

While it welcomes the EU's enlargement to include 100 million people on its eastern borders, Germany is averse to paying more than what it sees as its fair share of the costs of the expansion. Mr. Schröder's victory could put Germany on a collision course with Mediterranean countries such as Spain and Portugal, which are determined to resist any reduction in the contributions they receive from the EU.

Officials at the European Commission, the EU's executive body, say enlargement makes it inevitable that some countries will have to pay more into the budget and others less, but where the line will be drawn is likely to be the subject of

heated debate. Mr. Schröder's victory also poses questions for the French-German alliance that forms the backbone of the EU. In the past, an agreement between Mr. Kohl and his friend François Mitterrand, the former French president, could usually be relied on to resolve any difficulties in the alliance.

Mr. Schröder, however, is considered closer in ideology to Prime Minister Tony Blair of Britain than to the French prime minister, Lionel Jospin.

Mr. Blair hailed the election results as a major development opening up a new era of center-left government for Europe. In France, President Jacques Chirac congratulated Mr. Schröder but also warmly praised Mr. Kohl, whom he had backed during the campaign.

The Austrian chancellor, Viktor Klima, also hailed Mr. Schröder's victory, saying it was a "success for a Europe of employment, a success for a Europe with more social justice and a success for a Europe of social democracy."

He also praised Mr. Kohl as "a truly great European."

Mr. Kohl's defeat after 16 years in office removed a statesman who has been buglely influential in the cause of European unification.

In a bid to win votes at home, however, Mr. Kohl stressed German over European interests and blocked moves toward further European federalism. His campaign posters emphasized the German colors of red, gold and black rather than the blue and gold of the EU, and the chan-

cellor hammered on the theme of Germany as a great world power rather than, as in the past, a great European power.

Not to be outdone, Mr. Schröder also stressed that Germany was a resurgent world power as it prepared to move its capital back to Berlin next summer.

Political analysts said this meant that Germany, while continuing to be a good European, would now be much more assertive about defending its interests — particularly its economic interests — in European councils.

The days of the open German checkbook are clearly over, they said. Germany contributes almost a quarter of the EU budget, based on its population and gross domestic product.

Ex-Communists At Center Stage In East German State Election

By John Schmid
International Herald Tribune

FRANKFURT — The former Communists reached an important milestone Sunday in an East German statehouse election that will be watched carefully for its importance on the national level.

In Mecklenburg-Western Pomerania, the Party of Democratic Socialism, the successor to the East German Communist Party, made significant gains and became the leading coalition candidate to join a new state government led by the victorious center-left Social Democrats, observers and political strategists said.

The former Communists became the state's third-largest party, winning 25.5 percent of the vote, up from 22.7 percent four years earlier.

The Social Democrats prevailed at the national level Sunday night as their candidate, Gerhard Schröder, defeated the incumbent chancellor, Helmut Kohl, a Christian Democrat. But now, many Germans wonder what sort of relationship will develop between the reformed Communists and Bonn's newly elected governing party.

The re-emergence of both far-left and far-right parties this year has created a worrisome backdrop for the national campaign and has unsettled the mainstream parties.

The issue became all the more urgent after the PDS, as the former Communists are known, grabbed a larger share of seats in the Bundestag in Bonn in the national race. According to preliminary results late Sunday, the party won about 5.3 percent of the national vote, up from the 4.4 percent it won four years ago.

Jubilant officials of the Party of Democratic Socialism appeared on German television Sunday night to declare themselves ready to govern in Mecklenburg-Western Pomerania.

If the party enters state government with the Social Democrats, either as a formal coalition partner or as informal supporters, Mecklenburg-Western Pomerania would become the second East German state this year in which such a "red-red" alliance has been formed. In April, Saxony-Anhalt's Social Democrats chose to govern in a minority government with the "tolerance" of the PDS.

The far right also made gains from 1994, when they collected only 1 percent of the vote in the state. But the extreme-right parties in the Mecklenburg race fell far short of the gains that some polls had expected.

But a proliferation of far-right parties in Germany since the last election season in 1994 ensured that three rival extremist parties split the far-right vote, which made it impossible for any of them to make it above the 5 percent benchmark.

The German People's Party, or DVU, came closest with an estimated 3 percent of the state vote. That party caused the most concern after it won a 12.9 percent score in April in Saxony-Anhalt, winning the highest score for the far-right in postwar history.

The other two far-right parties on the ticket — the Republicans and the National Party of Germany, or NPD — scored so low that their results failed to appear in the preliminary counts.

The DVU debuted at the national level



Harald Ringstorff, Social Democratic candidate for premier of Mecklenburg-Vorpommern, and his wife, Dagmar, arriving to vote in Schwerin.

Sunday with a projected 1.2 percent, effectively enlarging the far-right national vote after the Republicans maintained their 1.9 percent share from 1994.

As it did on the national stage Sunday, the Social Democrats in Mecklenburg made gains. It scored 35.9 percent of the state vote, up from 29.5 percent four years ago.

The Christian Democrats, once celebrated in East Germany as the "party of German unification," suffered a new defeat. They party fell to 30 percent from 37.7 percent, causing the current state premier, Berndt Seitz, to concede defeat.

The role of the extreme parties is seen as a major consideration as Mr. Schröder and his party carry out negotiations for their national coalition partners.

Projections Sunday night left open the

chance that Mr. Schröder could form an alliance with the pro-environment Greens. But that was far from clear. Failing a workable red-green majority, Mr. Schröder is expected to try to create a left-right "grand coalition" with the defeated Christian Democrats.

Ex-Communists Win in Berlin

The Party of Democratic Socialism has won three constituencies in East Berlin and is thus assured of a return to Parliament even if it slips below the 5 percent threshold in nationwide voting for party lists, Reuters reported Sunday. The election commissioner in Berlin said the PDS had won the East Berlin legislative districts of Prenzlauer Berg-Mitte, Hellersdorf-Marzahn and Friedrichshain-Lichtenberg.

Winner and Loser Address 'a Personal Victory'

Following are excerpts from the speeches to party supporters by Helmut Kohl and Gerhard Schröder, who defeated the German chancellor in the election Sunday:

Helmut Kohl

It has been for me a difficult evening and, naturally for me as well. I first want to thank everyone, the many thousands who worked so hard for us in this election campaign. The election result is clear, the Social Democrats won. The voters have clearly opted for Red-Green.

It's also a personal victory for our Premier Gerhard Schröder, and I wish him success.

The next thing I want to say is a clear word of responsibility for me. I was the top candidate, and I take responsibility for this without any ifs, ands or buts. There is no debate about this defeat. I will discuss with the CDU board tomorrow and ask them not to nominate me again for the chairman of the party at the next party congress.

It is clear that we didn't succeed. I am thankful to all those who helped us in the last 16 years, also to those many abroad who helped pave our way as friends and

partners. Many of our triumphs were made possible by our partners and friends. It was a great time. We achieved a lot, but as democrats, we accept the decision of the voters. The voters have decided and we respect this decision. Life goes on.

Gerhard Schröder

Ladies and gentlemen, dear friends, after 16 years, the era of Helmut Kohl is over. The old middle has triumphed, and the SPD has won it back. That is the obligation of our policies for the next four years. I want to take this opportunity to pay respect to Helmut Kohl. He was a tough opponent, but the voters have spoken about whom they want to lead our country into the future.

It will be our task to modernize our country thoroughly and overcome the blockage of reforms. The voters have chosen in this election a change of generations. The election was also an election campaign of polarization and an attempt to split our nation into two camps. I said during the campaign that the task of a new government will be to bring the people of our nation back together and to overcome the internal divisions.

I say that especially for the people in the East and for the need to complete the internal unification of our nation. I am happy and thankful for the support that I have received, especially from my party, the SPD. The SPD has put forth two chancellors, Willy Brandt and Helmut Schmidt. Both stood for renewal in their era. I want to stand for continuity. I am especially thankful to Helmut Schmidt for his advice and his support in recent months.

Our concept has been to aim for the new middle. It's apparent that this concept was the right way. I stand for economic stability and internal security but above all for a continuation of our foreign policies.

My most important goal, dear friends, is the fight against the plague of mass unemployment. And I will invite all the major players in the economy to Bonn to work on an alliance for employment and education.

To the people in Eastern Germany, I promise to do everything, and I mean everything, to improve your living standards and to complete internal unity step by step. I am happy and delighted about the support I have received. I would like to finish, dear friends, with a word of thanks. Our success and my success would have been unthinkable without the help of my friend Oskar Lafontaine.

GERMANY: Schröder Is Elected, Ending Kohl's 16-Year Rule

Continued from Page 1

bitter rejection by an electorate that had sustained him in office for four successive terms, largely because he embodied their desire for stability. He was greeted by prolonged applause from his appointed supporters as he arrived at his party headquarters an hour after the polls closed to concede the election to Mr. Schröder. He acknowledged that the Social Democrats had run a more effective campaign and then signaled his retirement from politics by insisting he would not stand for re-election as his party's president.

Mr. Kohl expressed his gratitude to those who supported his causes, both at home and abroad, for the last 16 years. "It was a great time," he said. "We achieved a lot. But as democrats, we accept the decision of the voters. Life goes on."

Mr. Schröder paid tribute to his adversary, saying Mr. Kohl deserved acclaim for having achieved German reunification and working toward a more united Europe. He emphasized that he did not want to lurch toward radical change but would seek to maintain continuity in many areas, especially friendly relations with Germany's neighbors and a strong Atlantic partnership.

Nonetheless, a Social Democratic-led government could bring significant course corrections in several areas. The Social Democrats have already vowed to restore some of the cuts in pension and sick pay that Mr. Kohl's government carried out as the first timid steps toward reforming the nation's generous social welfare programs. Mr. Schröder pledged that "social justice" would govern the new government's economic policies.

That could signal bad news for Germany's business sector, which has been pleading in vain for greater tax relief and a loosening of labor laws that have made production costs in Germany among the highest in the world.

In contrast to Mr. Kohl, Mr. Schröder supports creating a political counterweight to the European Central Bank, which would argue for lower interest rates — even at the risk of higher inflation — in order to promote economic growth.

The Social Democrats have also promised to revise Germany's immigration policy and to make it easier for many of the country's 7 million foreigners to become German citizens. The new governing party also wants the European Union to come up with a common policy for accommodating refugees.

Despite his promises of continuity in foreign policy, Mr. Schröder has already signaled some changes in the way his party will handle relations with the outside world. He would proceed more cautiously with the expansion of the European Union, fearing that an influx of Polish workers could destabilize

KOHL: The 'Eternal Chancellor' Bows Out

Continued from Page 1

asunder by a conflict that split the Continent for nearly a half-century.

After entering office with a mediocre reputation as a shallow politician, Mr. Kohl departs with the stature of a great statesman.

In recent years, his counsel was avidly sought by his peers around the world, from President Bill Clinton, with whom he devoured gargantuan plates of pasta, to his "sauna buddy" President Boris Yeltsin.

On Oct. 3, 1990, Mr. Kohl savored his finest hour as he stood on the ramparts of Berlin's Reichstag and hailed the absorption of Berlin and the five Eastern states into the Federal Republic of Germany.

He promised Easterners that their living standards would be raised to Western levels. And he reassured Germany's neighbors that he would pursue the goal of "one Europe, whole and free" with renewed zeal.

"German unity and European unity are two sides of the same coin," Mr. Kohl declared, in what became his mantra. It was this deeply felt conviction that impelled him to ignore public dismay and sacrifice Germany's cherished Deutsche mark in favor of a single European currency, the euro, that he hopes will revive momentum toward a United States of Europe.

But Mr. Kohl's poor grasp of economics ultimately caused his political demise. He flouted the advice of financial managers by offering to give East Germans the strong Western mark in return for their worthless currency on a one-to-one basis. The low productivity frightened away many investors and destroyed many jobs, making much of Eastern Germany dependent on welfare and perpetuating "the wall in people's minds" that divides Germany today.

The cost of rebuilding the East has soared close to \$100 billion a year, with no end in sight to the drain on the nation's treasury. Mr. Kohl also deferred hard decisions needed to restructure Germany's economy for the 21st century, preferring instead to dole out huge subsidies to dying coal, steel and shipbuilding industries that would placate his supporters.

He also remained insensitive to Germany's growing multicultural profile, failing to speak out forcefully against rightist extremism and the wave of brutal attacks against foreigners, particularly the 2 million Turks living in Germany. When some Turkish children perished during the firebombings that stunned Germany several years ago, Mr. Kohl refused to attend the funeral, saying he did not want to indulge in "graveyard tourism."

Despite his prowess as a political campaigner, which helped him knock off four successive Social Democratic opponents until his loss to Gerhard Schröder, Mr. Kohl was ultimately toppled from power by his failure to live up to his promises. Voters decided that if he could not carry out his much-vanished reforms during the last 16 years, he could not be trusted to do so in the future.

Mr. Kohl became chancellor in 1982 vowing to curtail the bloated state sector and what he called "the excesses of 13 years of socialist misrule." But he leaves office with the German state still controlling half of the economy, a plight that is driving many German and foreign enterprises to flee the country in search of lower taxes and cheaper production costs.

As the last Western leader to have lived through World War II, Mr. Kohl's personal life and political philosophy were profoundly shaped by that conflict. Born in the industrial Rhine port of Ludwigshafen, Mr. Kohl was 15 and a member of the Hitler Youth when the Nazis capitulated. He lost his brother Walter in the war, and tearfully recalls how his family survived on CARE packages dropped by American pilots on the bombed-out rubble of his hometown.

Mr. Kohl joined the Christian Democratic Union in 1946 as an ardent disciple of Konrad Adenauer, Germany's first postwar chancellor. He earned a doctorate in history at Heidelberg University and was the youngest politician to enter the state assembly of Rhineland-Palatinate in 1959. A decade later, at age 39, he was elected governor of the state and soon became chairman of the party.

Throughout his career, Mr. Kohl cultivated grass-roots connections and

Germany's economy. Mr. Schröder is distinctly cool toward Boris Yeltsin and believes that Mr. Kohl made a serious mistake by investing too much in his friendship with the ailing Russian president. He would also cultivate closer relations with Britain and de-emphasize the primary status that Mr. Kohl accorded France.

Kohl Loses Home District

Mr. Kohl suffered a humiliating setback Sunday when he lost his home district of Ludwigshafen to the Social Democratic candidate, Doris Barnert, Reuters reported from Bonn.

pocketed political IOUs in the best tradition of cunning party bosses. He lacked the eloquence of great orators and never learned a foreign language, but those who mocked him as a bumbling provincial buffoon lived to regret it.

"He was a relentless climber," said Patricia Clough, Mr. Kohl's biographer. "He realized that real power lay in gathering the strongest possible support within his own party."

Mr. Kohl shrewdly stepped aside in 1980 to allow Franz-Josef Strauss, his Bavarian rival, to run unsuccessfully against the Social Democratic chancellor, Helmut Schmidt. But two years later, at age 52, Mr. Kohl seized his opportunity when the Free Democrats, the junior partner in Mr. Schmidt's coalition, broke with the Social Democrats and accepted his offer to form a new governing majority with the Christian Democrats.

The backroom deal that brought Mr. Kohl to power was a masterpiece of political guile. But Mr. Kohl lacked Mr. Schmidt's reputation for wise leadership and many of Germany's neighbors and allies, including the United States, were uncertain about what direction he would take Europe's most pivotal country.

Mr. Kohl surpassed all of their expectations. Despite rising East-West tensions in the early 1980s over the planned deployment of medium-range nuclear missiles in Germany, he did not flinch in the face of massive street demonstrations against the stationing of cruise and Pershing missiles in his country. As Foreign Minister Hans-Dietrich Genscher, struggled in vain to find a compromise deal, Mr. Kohl insisted the American missiles would be deployed on German territory in order to counter the build-

The backroom deal that brought Mr. Kohl to power was a masterpiece of political guile.

of SS-20 rockets by the Soviet Union.

His courage in standing up to the protesters bolstered his stature among other leaders, notably Presidents Ronald Reagan and François Mitterrand. The French Socialist cultivated a close rapport with the German conservative, believing the Paris-Bonn connection was vital to promote the cause of European unity. Mr. Kohl was wary about Mr. Mitterrand's overtures at first, but the two leaders bonded as they clasped hands at a Verdun memorial ceremony in 1984 in a moving symbol of reconciliation between France and Germany.

A year later, still enraptured by the image he projected with Mr. Mitterrand, at Verdun, Mr. Kohl proposed to stage a similar ceremony with Mr. Reagan at the German war cemetery in Bitburg. The attempt to make another grand gesture between two close allies turned into a public relations disaster when it was discovered that the cemetery contained graves of dozens of SS officers who were implicated in war crimes.

When Mikhail Gorbachev rose to power in the Kremlin, Mr. Kohl was highly suspicious of his promises to begin far-reaching reforms in the Soviet Union and its relations with the West.

But when the Berlin Wall began to crumble in 1989, Mr. Kohl grasped what had been, for him, the unimaginable possibility of bringing the two Germanys together in his lifetime.

While other allies were nervous about Mr. Kohl's designs, President George Bush stood squarely behind the chancellor, saying he warranted "our personal trust."

Gratified by Washington's support, Mr. Kohl pressed ahead with what he saw as the inevitable drive toward German reunification.

He flew to Moscow and cut a remarkably swift deal with Mr. Gorbachev. The Soviet leader agreed to let the two Germanys settle their own fate, while Mr. Kohl promised that his government would foot the bill to repatriate all Soviet forces from East Germany.

On the return flight home, Mr. Kohl could scarcely suppress his emotions, according to close aides.

He raised a glass of Champagne with his staff and offered a toast that would sum up his lifetime accomplishments: "To one Germany, in one Europe."

CLINTON: Democrats Sharpen Their Attack on President's Foes

Continued from Page 1

concerns about Mr. Clinton's credibility, she said Sunday, had been surpassed by a growing fear that the House Judiciary Committee, which is expected to seek authorization next week for a formal impeachment hearing, was treating Mr. Clinton unfairly. "The release of what's going to be thousands of pages of documents this week is just plain wrong," she said.

The committee voted Friday to release tens of thousands of pages of documents from the Starr report, along with edited tapes of the phone conversations Ms. Lewinsky had with Linda Tripp, her onetime friend.

James Carville, the political consultant who is a fierce Clinton loyalist, was among the Democrats sharpening his criticism over the weekend. He said that Republican attacks on the president had been "under the orchestration, the supervision" of Newt Gingrich, speaker of the House, and called the Georgia Republican a "confessed liar." His reference was to the reprimand Mr. Gingrich received from the House in an ethics investigation.

Representative Tom DeLay of Texas, the Republican whip in the House, took sharp exception to those remarks. He predicted that the Judiciary Committee would vote next week to bring to the full House a resolution calling for an im-

peachment inquiry. And he dismissed suggestions that opinion polls show that the majority of Americans have no stomach for such a move.

"That doesn't bother us a bit," he said. "We think that the only poll is Election Day, and the American people will reward us for doing what is right."

Members of Congress on both sides appear increasingly aware that the Lewinsky matter could have a decisive impact not only on Mr. Clinton's fate but on their own as well.

In a political battle for voter turnout, some Republicans appear to be taking a hard line on the matter to mobilize their core constituents: Democrats appear intent to use public resentment against Republicans for their handling of the Starr report to mobilize their own voters and independents.

The Democratic national chairman, Steve Grossman, said at a conference of the Democratic National Committee on Friday, "The American people know venality and mean-spiritedness when they see it."

Historically, the party that controls the White House can expect losses in the middle of a second presidential term — the only question being how great.

While a greater Republican majority in Congress would make it easier to proceed with impeachment hearings in the House, and a possible trial in the Senate, it could also open Republicans to

charges of purely partisan motivation. "You can't impeach on a partisan basis," Senator John Kerry, Democrat of Massachusetts, said Sunday. "I think that was the lesson of the Watergate years."

Mr. Clinton himself, moving beyond a period dominated by public apologies, has sharpened his attacks on the Republican-controlled legislature, referring to it as a "do-nothing Congress."

And Hillary Rodham Clinton said that Congress would "rather spend time dividing our country, diverting our resources, doing anything but focusing on the real problems of America."

It was not clear whether the attempts to marshal a public backlash might themselves create resentment.

Mr. Kerry, who has been trying to promote a negotiated solution between the president and Congress, decried the Clintons' attacks. "I regret that both he and Hillary took the line they took in the last few days," he said.

Meanwhile, lawyers for Paula Jones confirmed Sunday that they were negotiating a settlement of her lawsuit against Mr. Clinton with his attorneys, and said that they were optimistic a deal could be reached soon.

A settlement, which reports say would be between \$500,000 and \$1 million, would narrow Mr. Clinton's legal exposure at a time his attorneys are preoccupied by the threat of impeachment. If Mrs. Jones dropped the appeal of



James Carville, Democratic consultant and Clinton loyalist, had harsh words Sunday for the Republicans.

her sexual harassment suit, it would be easier for Mr. Clinton to acknowledge candidly to Congress that he had lied in his deposition in the Jones case regarding his relationship with Ms. Lewinsky. That could pave the way to a separate deal with Congress, possibly next year, to avert impeachment.

The Washington Post reported Sunday that Mr. Clinton had consulted with his chief fund-raiser, Terence McAuliffe, and received assurances that he could raise the money necessary to resolve the suit.

INTERNATIONAL

TALEBAN: Desolate and Wary Land

Continued from Page 1

The assuring sense of anonymity does not last long, however. Not 15 minutes after we climb into a taxi driven by a jovial, chattering man named Habib, we reach the first Taliban checkpoint.

Habib yanks a Muslim skullcap onto his head as a stern young man in a black turban approaches us, an assault rifle across his shoulder. He peers at our faces, examines our documents, roughly rummages through the glove compartment and back seat.

Finally he waves us on with his rifle. As we pull away, we notice a cluster of long black ribbons waving from a utility pole. It is a decoration we are to see at dozens of Taliban checkpoints along the road.

We ask Habib what the turbaned man was looking for. "Music cassettes," he explains. "If they find any, they rip them apart right there and hang them from the poles."

The other passengers are a shoemaker from Jalalabad, a city about 80 kilometers ahead, and a doctor visiting his family in a village along the way. Their responses to questions about the Taliban are much like those we will hear from many ordinary Afghans, at first.

"They have brought us peace and security," said the shoemaker. "The people are happy. Islamic law is so beautiful. There is no more corruption."

The doctor says he was once a soldier in the holy war against Soviet occupation in the 1980s. "We had to walk hundreds of kilometers, there were no beds and little food, but we were glad to do it for Islam," he said. "And now, praise Allah, we finally have an Islamic state."

The Taliban — a home-grown religious militia that seized Afghanistan's capital, Kabul, two years ago this week — has vowed to create a pure Islamic society free from crime, vice and Western influence.

After years of civil war, many Afghans welcomed them and the sense of order they brought to the country. But for many middle-class Afghans — teachers who are no longer allowed to teach, doctors who have no place to practice medicine, women who never wore a veil and men who never grew a beard — the Taliban's harsh restrictions have begun to chafe, especially since economic and social conditions also have continued to deteriorate.

Even some devout Muslims who conscientiously follow Islamic law are spooked by the Taliban's totalitarian means of enforcing it. Once they feel comfortable with a foreigner, they bring out their hidden Hindi music tapes or shortwave radios, complain bitterly that their daughters are prohibited from at-

tending school, or confide that they are in desperate need and feel abandoned by the authorities.

At dusk we reach Jalalabad, where the physician and the shoemaker bid a polite farewell. Habib, taking a deep breath, turns and asks if we would "like to meet some other people." Soon we are entering a refugee camp at the edge of town, a maze of mud huts where ragged children swarm around the car. Many have sores on their faces and arms.

In a small, cave-like room, a gaunt young doctor named Abdul sits at a table with his only equipment: scissors, gauze, iodine and a dusty microscope. He says there are 50,000 refugees from civil conflict zones in the camp, that many have eye diseases and almost half the children have malaria, but few families can afford treatment.

"Look, I am Muslim, everyone in this country is Muslim by birth. We go to the mosque because we want to," said Abdul, whose daughter is being secretly by a woman in her home.

"If people think the Taliban have brought Islam to Afghanistan, they are wrong. They have brought something else, and they are implementing it by force."

As we drive toward Kabul the next day, the desert begins and the highway becomes increasingly pockmarked with craters. One-legged beggars, maimed by land mines, stand by the roadside with arms outstretched.

The entry to the capital is another checkpoint festooned with black ribbons. As ordered, we report directly to the Foreign Ministry, where an official ticks off a list of rules for foreign journalists: no photographs of people, no interviews with women, no visits to private homes. We must stay in a government-run hotel and be accompanied at all times by a government driver and interpreter. The total cost for their services is about \$100 per day, payable only in dollars and in cash.

Even at midday, the city seems oddly silent. There is little traffic; teams of donkeys or men strain to pull heavily laden carts. There is a 10 P.M. curfew, but by nightfall almost every shop will be shuttered, every street empty except for Taliban police pickup trucks.

The hotel is a haunted 500-room hilltop palace in which we are the only guests. Once it was the city's social center. Now the carpet and jewelry boutiques are long closed, the grand salons locked. The "staff members" follow our every move, lingering outside our rooms and surprising us around corners.

Despite the presence of a government interpreter, a number of Afghans are willing to express their frustrations with Taliban rule — and to confess certain surreptitious



Troops marching in Tehran. Iran has been taking a bellicose stance toward Afghanistan and an ambiguous one on the death threat against Salman Rushdie, author of "The Satanic Verses."

Rushdie Edict Stands, Iran Says

Government Seems to Backpedal After Agreement With Britain

TEHRAN — The death edict against Salman Rushdie cannot be revoked, and the British author's "insulting remarks" will increase the hatred of Muslims toward him, a spokesman for the Foreign Ministry of Iran said Sunday.

The statement, and comments in Iranian newspapers Sunday, left many in Iran debating whether anything had really changed, despite the Foreign Ministry's statement last week divorcing itself from the death threat.

The Foreign Ministry spokesman, Mahmoud Mohammadi, is reportedly likely to be named Iran's ambassador to Britain. The two countries agreed last week to upgrade diplomatic relations after Iran pledged that it did not seek to carry out the 1989 fatwa, or religious decree, against Mr. Rushdie for blasphemy against Islam in his book "The Satanic Verses."

But Tehran radio quoted the spokesman on Sunday as saying the irrevocability of the edict against Mr. Rushdie "is a fact."

He said it was surprising that while Foreign Secretary Robin Cook of Britain explicitly announced on Thursday that the British government and the European Union did not support insults against religious sanctities, Mr. Rushdie continued his "insulting remarks."

The commentary did not specify which remarks were considered insulting. Mr. Rushdie said at a news conference in London on Friday that he did not regret writing "The Satanic Verses."

Meanwhile, Kayhan, an influential conservative daily in Iran, called on the government to carry out the fatwa. "It is evident that they should not and cannot give the least guarantee on preventing the execution of this edict," it said in an editorial.

Another conservative newspaper, Jomhuri Eslami, said Sunday that the edict, which was issued by Ayatollah Ruhollah Khomeini, the spiritual leader of the Iranian revolution, shortly before he died in 1989, was still effective and that

nothing had changed to Mr. Rushdie's benefit.

"Maybe the optimism of Rushdie and his supporters would pave the way and accelerate the execution of the edict," it added.

The Iran News, a moderate daily close to the Foreign Ministry, said there was nothing new in Foreign Minister Kamal Kharrazi's statements last week. It pointed out that the government's position has for several years been not to seek Mr. Rushdie's death. (Reuters, AP)

British Airways Keeps Ban

British Airways says it will not permit Mr. Rushdie to fly on its planes, despite Iran's statements last week that it would no longer actively pursue its death sentence. The New York Times reported from London.

"While we have every sympathy with Rushdie's difficulties with overseas travel," said Bruce Tobin, a spokesman for the airline, "our ultimate responsibility is the safety of our passengers and staff."

deviations from the official line.

The only opportunity to speak with women comes at a hospital run by the International Committee of the Red Cross, where war-disabled workers make thousands of artificial limbs for mine victims and other handicapped Afghans. In the women's ward, patients and staff members remove their veils upon entering, with evident relief.

A young woman named Suhaila,

waiting for her nephew to be treated, said she was an elementary school teacher before the Taliban came, and misses it very much. "Now we have only my husband's income, and I am forgetting a lot of my lessons," she said. "People without education might as well be blind."

The 500-kilometer highway leading south from Kabul to Kandahar, once a model of American engineering that could be traveled in five

hours, is now an obstacle course that the most seasoned Afghan truckers can barely navigate in 22 hours.

It is on this part of the journey that the depth of Afghanistan's economic exhaustion and despair sinks in. In villages along the way, people draw water by hand from wells, plow behind cattle with wooden blades, stand by the highway smoothing holes with a shovel and bopping travelers will pay them a few cents.

It is also along this tortuous stretch of road that the Afghan tradition of hospitality seems most poignant. At every stop to wash off the dust, people invariably offer cups of tea and dishes of sweets. At a cafe in the town of Kalat, the owner refuses to let us pay.

Late at night, grimy and bleary-eyed, we reach the city of Kandahar. To our astonishment, the bazaars are teeming with customers, bright with lantern light and bursting with produce. Melons and pomegranates are neatly piled, lamb carcasses swing from ropes, flats of just-baked roti bread are spread out invitingly.

Compared with the paranoia and ghostliness of Kabul, the first impression of Kandahar is one of free-wheeling, relaxed urbanity. The impression is dead wrong.

Kandahar is the birthplace and headquarters of the Taliban movement, and within two days it becomes easy to understand why. To a large extent, the city's more modern and educated residents fled long ago, across the border with Pakistan, where we, too, were very happy to arrive.

The Lesotho Caper: South Africa Errs

Debacle Leaves Kingdom in Ruins

By Suzanne Daley
New York Times Service

JOHANNESBURG — Probably the biggest blunder South Africa made in invading the tiny kingdom of Lesotho last week was a military one: sending fewer than half the soldiers it ultimately needed. But it is hard to say — the list of blunders is so long.

Over the weekend, a measure of calm had been returned to Lesotho's capital, Maseru, and the fighting in the nearby hills appeared to be over. But it was clear that what South Africa had planned as a quick and easy military operation to end political turmoil in Lesotho had gone terribly wrong.

More than 60 people were dead. Central Maseru had been turned into rubble by looting and burning. And anger against South Africa was so strong that white foreigners could no longer walk safely in the streets. Looting had apparently spread to the more remote regions of this mountainous country; refugees were streaming out, and there were reports of food shortages.

Nor was there any progress in resolving the political struggles that had led to the invasion in the first place, raising the specter of South Africa as a long-term occupying force.

The size of the blunder was being assessed all over South Africa as opposition parties questioned whether President Nelson Mandela's government even had the legal right to invade Lesotho — a country with breathtaking vistas and devastating poverty that is entirely surrounded by South Africa.

But there was widespread agreement that a move intended to quell Lesotho's internal political struggles had instead created large-scale economic and diplomatic problems that were going to cost South Africa millions and take years to repair.

"They thought they were being preemptive," said James Higgs, director of research for the South Africa-based Institute of International Affairs, "moving in before they had a big refugee problem, an exodus that South Africa would have to deal with. But what happened was almost the reverse of what they intended to do. They destroyed the trading community. They now have a long-term problem, and it is going to be very expensive for South Africa to repair."

South African officials said they sent troops to Lesotho last Tuesday at the invitation of its prime minister, Pakalitha Mosisili, who said the country was on the verge of a coup. Clearly, Mr. Mosisili was not in control of the Lesotho Army. Only a few days before, the rank and file had forced several senior officers to step down. And anti-government protesters — who maintained that recent elections giving Mr. Mosisili's party 79 of 80 seats in Parliament had been rigged — had clogged the streets of Maseru and brought government to a standstill.

Military analysts say that South Africa grossly miscalculated the resistance it would face from Lesotho's 2,000 soldiers.

"It was as if they said to themselves: 'It's Lesotho. It's a cakewalk,'" said Jackie Cilliers, head of the Johannesburg-based Institute for Security Studies.

Initially, South Africa sent only 600 soldiers in armored vehicles, ordering them not to use any weapons that would destroy property. The Lesotho soldiers, hunkered down in their barracks and hidden in their homes, ambushed the South African force, mostly with small-arms fire.

Though far better equipped, the South Africans were hampered by the orders not to use their firepower. On the first day, 30 people were reported killed, including nine South African soldiers.

As the South Africans concentrated on the Lesotho soldiers, the business district of Maseru was left unguarded. The South Africans had apparently counted on the Lesotho police, still loyal to the government, to patrol that area. But instead, having received no warning of the South African invasion, the police retreated.

Only on Thursday, with help from 200 Botswana troops, was some order restored in Maseru. By then little was left standing.

While this is devastating to Lesotho's feeble economy, many of the businesses are actually South African-owned or built with South African loans, so that ultimately the bill for rebuilding the businesses will most likely be paid by South Africans.

But for the moment, South Africans are a deeply hated occupying force. On Friday, they imposed a 6 P.M.-to-6 A.M. curfew and began the difficult process of trying to trace and reclaim weapons that had been handed out to civilians under siege. They have not managed to get the government and the opposition to sit down to talks.

Mr. Mandela has rejected all criticism of the invasion, calling it ignorance.

"It doesn't matter how much criticism we have," he said. "If we are convinced about what we are doing, that's enough."

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THE WORLD'S DAILY NEWSPAPER

MALAYSIA: Opposition Joins Forces and Draws Tens of Thousands to Rally

Continued from Page 1

sensed that his younger rival was about to try to push him out and expose what they termed corruption in the ruling clique.

The introduction of the two groups — known as the Coalition for People's Democracy and the People's Justice Movement — brings together some disparate bodies, from Islamicists to environmentalists, from old-time socialists to women's rights advocates.

Many of the leaders of the coalitions are veterans of Malaysian prisons, having been detained in the past under the same Internal Security Act that Mr. Mahathir used to jail Mr. Anwar last week.

In a country where open criticism of the government has been largely subdued — and usually dealt with harshly — the rallies Sunday were all the more remarkable as activists openly denounced the government

as corrupt and bluntly called on Mr. Mahathir to go.

"The prime minister should voluntarily resign," said Syed Husin Ali, a leader of the small opposition Malaysian People's Party and a member of both new coalitions.

"Do we want a society where there is concentration of power and abuse of draconian laws?" he asked, adding, "There should be more space for democracy and justice."

The two coalitions said they were cooperating with each other.

Several of the activists said they felt emboldened to speak out now, after years of relative silence, in part by the dramatic change in neighboring Indonesia, where protest led to the overthrow this year of President Suharto after more than 30 years in power.

Also, they said, Southeast Asia is undergoing a dramatic democratic transformation that only now appears to be reaching Malaysia, one

of the few nations in the region still ruled by an old-style paternalistic strongman.

"It's really a new consciousness," said a women's group activist, Irene Fernandez, "and a rejection of the system."

Mr. Nour, at the evening rally, spoke of "a new culture" for Malaysians.

"He is really getting worried, getting paranoid," the Democratic Action Party member said of Mr. Mahathir. "You see people of different religions and races coming together. We have never seen this before. This is a new culture for us."

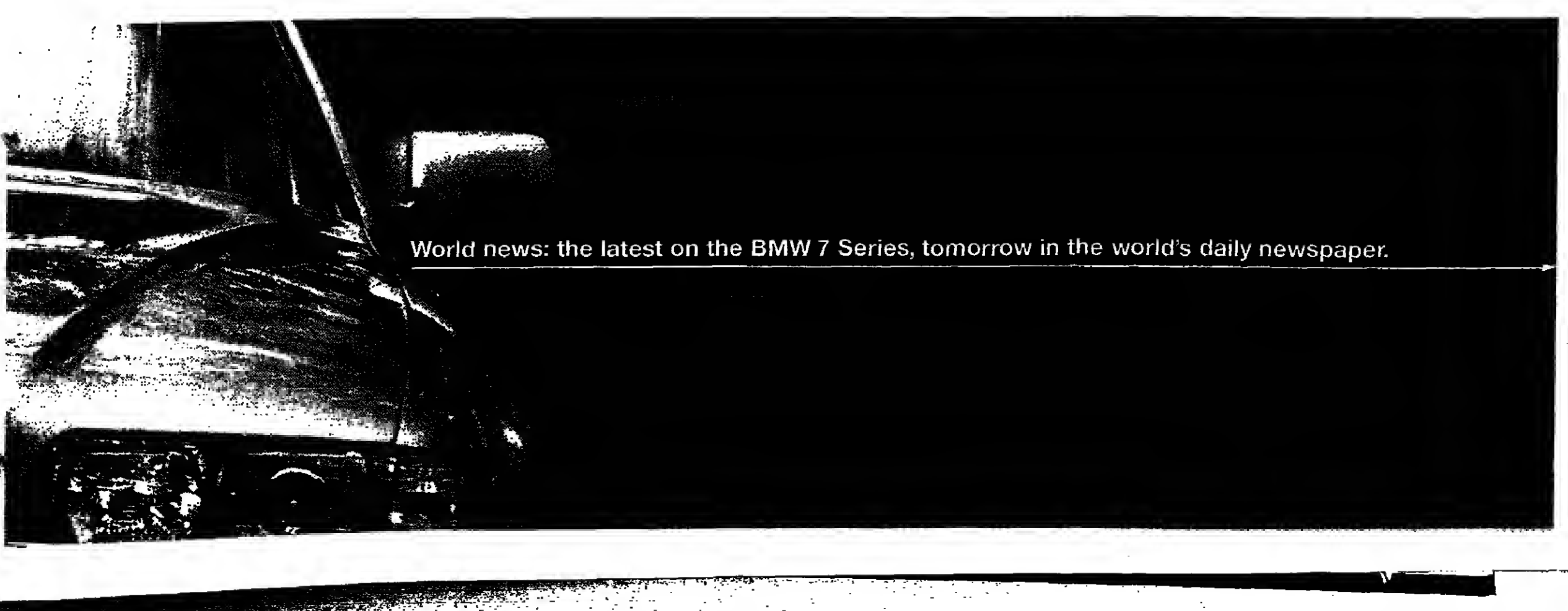
No one here was predicting that the process of political reform in Malaysia would be swift or easy, and many pointed out differences between the authoritarian system here and the military-dominated dictatorship that Mr. Suharto presided over. For one thing, they said, so far in Malaysia the students

— a group that spearheaded the street protests in Indonesia — have yet to be galvanized. Also in contrast to Indonesia, which allowed space for political discussion in the local media, here the press is strictly controlled by the government and rarely reports anything of the current crisis except the government line.

Mr. Mahathir and his top officials have repeatedly accused foreign media of exaggerating the current protests.

"He will die with his boots on," Mr. Syed Husin said. "The struggle to protect democracy will be difficult and a long one."

Some were suggesting that while even the mounting pressure might not be enough to get Mr. Mahathir to quit as his friend Mr. Suharto did, they were hoping to make enough gains in the next parliamentary elections to deny his ruling United Malays National Organization a majority in the legislature.



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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

India and Pakistan

Statements by Pakistan and India's leaders that they would sign the global test ban treaty indicate a welcome recognition of the dangers posed by their nuclear tests of last May. Neither country shows interest in rolling back the boost that their tests gave to their nuclear capability, but both are considering some of the restraints that make up the international nonproliferation rules. These restraints include not only a disavowal of further tests but also restrictions on building and deploying ballistic missiles, controls on exports of nuclear technology and curbs on production of fissile materials.

The international economic sanctions triggered by their tests surely had something to do with their decisions—especially the more dependent Pakistan's—to accept the discipline of the test ban treaty. They also seem to have been influenced, after the mutual nationalistic excitement of the tests, by a growing awareness of the uncertainties, costs and risks of a regional nuclear buildup. And the two leaders, Nawaz Sharif and Atal Bihari Vajpayee, were prepared to take the unavoidable political risks.

India ignited this South Asian storm when its new Hindu nationalist government casually decided to accelerate a nuclear program that wiser heads had left in a lower gear for years. As the weaker party, Pakistan felt it had no political and geopolitical choice but to follow suit. Perhaps a kind of quiet mutual deterrence can now be consolidated. It will take hard work on a broad front, especially to calm inflamed Kashmir, an Indian Muslim state denied political choice by India and subjected to guerrilla and terrorist resistance by local forces supported by Pakistan. The two leaders, at the United Nations, agreed to resume talks on the Kashmir flash point soon.

The Clinton administration's diplomacy, carried forward in shuttle talks by the State Department's Strobe Talbott, has lubricated the rusty wheels of Indo-Pakistani compromise. Yet the comprehensive test ban treaty, the centerpiece of global nonproliferation policy, goes unratified in the U.S. Senate. Washington cannot be a fully resounding voice for others' accession to a treaty that it itself has not signed.

—THE WASHINGTON POST.

Clinton Needs a Deal

Encouraged by public impatience with the Monica Lewinsky case, some of Bill Clinton's aides have devised a political battle plan which they believe can save his presidency. It is essentially the same strategy the White House used in earlier confrontations with the Republican majority in Congress, namely, paint the opposition as parochial, partisan and indifferent to the national interest.

These tactics have worked in budget and policy conflicts. But when they are transferred to the legal arena by hatchet-swingers like James Carville, Lanny Davis and the White House lawyers, such attacks have steadily weakened personal respect for President Clinton, his grip on his office and his negotiating options.

We do not expect Mr. Clinton's scorched-earth advisers to quit calling artillery fire into their own position. But Mr. Clinton and the wiser counselors who are trying to get his ear may still turn to a more productive approach. They want a settlement in which he remains in office, accepts a strong congressional reprimand and gives up the untenable assertion that he did not lie under oath before the federal grand jury and in the Paula Jones civil suit, which Mr. Clinton is now belatedly trying to settle.

The New York Times editorial page has outlined such a resolution before and we continue to see it as a potentially just outcome. It was heartening to see the White House entertain a similar approach last week, but the overture was blunted when Mr. Clinton and Hillary Rodham Clinton assailed the Republicans in stridently partisan appearances that did not help his cause in Congress.

It is not surprising that the Clinton camp sees assaults on Newt Gingrich as the president's salvation. Almost every time the White House has faced off with congressional Republicans, Mr. Gingrich has led his followers to disadvantage or defeat by yielding the political high ground to Mr. Clinton. Memories of his searing defeat in the government shutdown and the polls showing that a majority of Americans would like to see a quick resolution to the House Judiciary Committee deliberations may cause Mr. Gingrich to overrule Representative Henry Hyde on extending the process until the end of the year.

But, try as it might, the White House cannot turn the Lewinsky case into a referendum on Mr. Gingrich. The duly constituted machinery of American government has brought before the House credible evidence that may be grounds for impeachment. The duty of the House is to review that evidence. But that process does not have to inhibit serious negotiations between congressional leaders and White House representatives who are willing to forswear self-defeating attacks on people who are rightly appalled by Mr. Clinton's behavior.

Many Americans are weary of the case, disturbed by Kenneth Starr's microscopic examination of Mr. Clinton's sexual activities and anxious to see Washington deal with pressing domestic and foreign policy matters. Even so, a majority still believe that some further action is required, specifically either the initiation of impeachment hearings or congressional

censure of Mr. Clinton. The appropriate White House response in such circumstances is to find negotiators who can put Mr. Clinton in a position where he can fairly argue that sanction short of impeachment and removal from office is plausible and equitable.

That requires not just remorse and repentance, but a willingness to acknowledge that he lied under oath. Standing above the law is not legally, constitutionally or politically viable. Just as Mr. Clinton has in recent weeks set aside his belligerence about other facets of the Lewinsky case, he must sooner or later drop the legal and linguistic acrobatics about whether he had sexual relations with Ms. Lewinsky.

Only then can Congress and the White House engage in serious discussions about a settlement that might include censure instead of impeachment, and the appearance of Mr. Clinton before the House to address his misconduct. As part of such a deal, the Congress could inoculate Mr. Clinton against criminal indictment when he leaves office in 2001.

Some of Mr. Clinton's friends, like former White House counsel Lloyd Cutler and Abner Mikva, see the attraction of such a settlement, and cooler heads at the White House seem to agree. To achieve that goal they will have to restrain those who think that this is just another political battle to be directed from a war room whose outmoded tactics have become a danger to the president.

—THE NEW YORK TIMES.

Other Comment

Clinton on Clinton

President Bill Clinton, in an interview conducted by Trude B. Feldman: "You know, some people say to me: 'I feel so terrible for you. It's so awful what has been publicized to the whole country, the whole world.' Believe it or not, and I know it's hard for people to believe, that has not bothered me very much because of the opportunity I've had to seek spiritual counseling and advice and to think through this and to try to focus much more on how I can properly atone, how I can be forgiven, and then how I can go back to healing with my family...."

I think any time a person has to go through a searing personal experience and come to terms with truth, and genuinely atone, and genuinely make the effort to change, that's an immensely liberating experience. It makes you stronger. It makes you straighter. And I think that if people can see that in me, my ability to be president and to do things that are good for the American people will be strengthened, not undermined....

And I also believe the American people will be more likely to support me because every American has been broken by something in life.... So I think there will be a real sense that... we can make a clean breast of this and have a new burst of energy as a country.... The good news is that if you acknowledge your errors, and you change, you can go forward free again.

The Washington Post.

Time for a Grand Bargain to Reschedule Debt

By Jim Hoagland

NEW YORK — The global financial storm that devastated Asia and Russia now sits off the coast of Latin America, where it suddenly threatens to inflict significant damage on U.S. prosperity and end the extended boom of the Clinton years.

Historians will be intrigued, after the storm's passage, to analyze exactly how the fate of equity and bond markets in the world's only remaining superpower came to ride even briefly on Brazil's election-year defense of its currency, the real.

They will find a trail of missed opportunities, flawed international cooperation and human greed that produced this unlikely vulnerability in America's financial armor, long after warning signs went up in Asia.

Decision-makers along Wall Street do not have the luxury of such respect. They are now looking at a severe credit crunch as part of the fallout of 14 months of turmoil in global markets that had until now spared the United States.

The huge cloud they see forming over the American economy may yet turn out to have an international silver lining, though.

Investment capital has evaporated for deals that contain risk. "For the first time in my professional life I hear serious people worrying about the survival of their banks," said the managing director of one of New York's most successful investment firms in mid-September. "Fortunately, they are not doing

this worrying in public and spooking everybody. But the concern is there."

Turn a moment from the Lewinsky scandal, the most overt story of our time, to the most important untold story of the day: the growing concern by many investors, bankers and regulators about the health of the world's private and official financial institutions.

Those who know the most about it say the least, to avoid sparking panic. But the story is gradually emerging, as governments finally try to deal with the still spreading crisis of confidence, and as details surface of the near collapse last week of Long-Term Capital Management, a major Wall Street hedge fund that invested heavily abroad in the El Dorados of globalization.

At about the time Federal Reserve Chairman Alan Greenspan was hinting to a Senate committee on Wednesday that he would push this week for a cut in interest rates, the New York Fed was organizing a consortium of two dozen of the world's largest banks to pony up a rescue infusion of \$3.5 billion to Long-Term Capital, which invested \$100 billion around the globe. The relationship of these developments was indirect, but clear and significant.

Historically, Mr. Greenspan's concerns have not been focused on short-term stock prices or on one year's growth rate. His driving concern is the long-term stability of U.S. banks and

other financial institutions. The Fed recently has kept interest rates high to help balance sheets in those institutions stay healthy as well as to fight inflation.

A reduction of interest rates by the Fed now should be seen as a move to ease severe liquidity and confidence problems that are suddenly hammering U.S. investment banks, not as a move driven primarily by the needs of the stock market or of manufacturers hit by declining Asian exports. And, as the perils of Long-Term Capital suggest, the Fed is moving not a moment too soon.

In Indonesia, South Korea and Russia, it was Japanese, French and German banks that came to grief with loans and investments that were flattened by financial collapse. U.S. exposure was slight, and the Wall Street party roared on. But U.S. investment and commercial banks are at significant risk in Brazil and elsewhere in Latin America.

Bankers estimate that Brazil's government, desperate not to take austerity measures until it gets past national elections next Sunday, has been spending up to \$1 billion a day in recent weeks to stabilize the real and keep Brazilian and foreign investors from stampeding. A meltdown in Brazil would shake the global system and torch Wall Street.

The collapse in Russia showed in detail that the world's financial upheaval is essentially a banking crisis. Investor confidence has been diminished globally by the inability of private banks and governments in the crisis

countries to pay off loans, redeem bonds and meet their other obligations. This is where the cloud's silver lining may eventually lie.

American, European and Japanese banks stand on both the cause and the effect side of the ledger. Their loans and investments helped create a crisis that now prevents them from getting repaid. It is a moment for the world's bankers, their regulators and political leaders to think big: to think of a coordinated global rescheduling of government and private debt that would include writing down some imperiled loans and investments in the crisis countries.

Russia, Indonesia, South Korea and the others must reciprocate in this grand bargain to clear the books by encouraging equity-for-debt swaps and by opening their banking systems to foreign competition, investment and surveillance.

Trying to mount a grand bargain in a moment of uncertainty is admittedly an ambitious undertaking. But the swift and destructive power of the still howling global financial storm mandates boldness and comprehensiveness. A vision that can help restore a sense of fairness and purpose to the spread of global markets is needed, even if it confronts obvious and difficult obstacles.

The now clear dangers of pursuing business as usual provide significant leverage for change in an international financial system that is rapidly becoming, to put it bluntly, scary.

The Washington Post.

Economic Crisis in China as the Reform Effort Stalls

By Gerald Segal

SHANGHAI — China is undoubtedly a more politically and economically liberal place than five years ago, but now it is stalled on its road to greater market liberalization.

It has made impressive progress, creating more than 30 million private businesses and \$208 billion worth of shareholding companies since 1979. And the decentralization of economic decision-making empowers local entrepreneurs. But the 20 years of reform makes it both harder and more dangerous to stop, even if Asia's economic crisis is giving Chinese leaders second thoughts about the virtues of capitalism.

China's current economic woes are a lethal mix of a Japanese huddle and a Russia-like rusting state sector. GDP growth is officially put at an annual rate of 7 percent, after adjustment for inflation, but it is falling, and Chinese officials privately admit that the economy is effectively in recession.

GDP growth of 3 to 4 percent is necessary simply to absorb new entrants to the labor market. A further 4 percent of GDP is accounted for by unsalable products of state-owned industries. China is not a haven of economic prosperity in the regional storm.

In fact, it has a banking system on the verge of bankruptcy. A best-selling book in China by He Qinglian suggests that some 60 percent of bank loans are nonperforming. Half the personal savings of Chinese has been lost by banks in unrecoverable loans to state-owned firms.

In what Mr. He calls "marketization of power," a small elite is siphoning off so much domestic and foreign capital that since 1992 China has exported more funds than it has imported. No wonder it announced new controls on the export of foreign currency on Aug. 20.

The deflationary pressures are enormous. Inventories rotting in warehouses are worth

\$360 billion. Some 70 percent of new real estate is empty; the Pudong district of Shanghai has both the world's largest office tower and the biggest vacancy rate. Industry is running at only half of capacity. Price deflation reached 3 percent in August and gathers pace.

As Mr. He explains, with the disparity between rich and poor greater in China than in the United States since 1994, there are far fewer people with a stake in the current partial capitalist system as China enters a time of dangerous crisis.

Hence the official call in mid-September for a fiscal stimulus to the 70 percent of Chinese who live in the rural economy and have been neglected in the last 10 years of reform.

The fact that such devastating economic data are freely available is testimony both to the more open political environment and to the extent to which President Jiang Zemin is

trying to distance himself from the economic policies attributed to Deng Xiaoping.

Mr. Jiang has tried several new strategies, most notably the much ballyhooed spring reforms by Prime Minister Zhu Rongji. But Mr. Zhu's attempt to slash the government bureaucracy by half has been headed off by powerful vested interests and those worried about rising unemployment and social unrest in a deflating economy.

The sell-off and restructuring of state firms has been halted. Far from cutting bank lending to the state sector, the order went out in July to increase spending, thereby worsening the banking crisis. The announced sell-off of government-owned housing has been suspended; so have plans to liberalize grain sales.

Mr. Zhu's failures have led Mr. Jiang to try another way to de-marketize power by selling off the money-making enterprises of the armed forces. This, too, is unlikely to work.

It is heartening that China's leadership seems to know what must be done to eliminate these systemic problems, but the failures in Japan and Russia to tackle their versions of similar crises are evidence that good intentions are not enough.

When observers worried that China's post-Deng leadership was weak, it was not so much that they doubted that Mr. Jiang could consolidate his Communist Party position against rivals, but rather that he might not have the power and authority to undertake difficult reforms.

China is in no state to be a serious threat to the outside world economically, militarily or in any other way. In fact, a China that loses its reforming nerve is merely a threat to itself.

The writer is director of studies at the International Institute for Strategic Studies in London and director of the Britain's Pacific Asia Program. He contributed this comment to the International Herald Tribune.

A 'Third Way' to Achieve Modern Social Democracy

By Tony Blair

The writer is the British prime minister.

LONDON — The Third Way is the route to renewal and success for modern social democracy. It is not simply a compromise between left and right. It seeks to take the essential values of the center and center-left and apply them to a world of fundamental social and economic change, and to do so free from outdated ideology.

The challenge we face is formidable — global markets, continued poverty and social exclusion, rising crime, family breakdown, the changing role

of women, a revolution in technology, and the world of work, popular hostility to politics and demands for deeper democratic reform, and a host of environmental and security issues requiring international action.

People seek leadership. They want to know how to adapt and prosper, how to build stability and security in this changing world. They embrace the cen-

ter-left's traditional values of solidarity, social justice, responsibility and opportunity. But they know we must move decisively beyond outdated ways of thinking — beyond an old left preoccupied by state control, high taxation and producers' interests and a new laissez-faire right championing narrow individualism and a belief that free markets are the answer to every problem.

The 20th century left has been dominated by two camps: a fundamentalist left, which saw state control as an end in itself, and a more moderate left, which accepted this essential direction but favored compromise. The Third Way is a serious reappraisal.

It draws vitality from uniting the two great streams of left-of-center thought — democratic socialism and liberalism — whose divorce in this century did so much to weaken progressive politics across the West.

The old left and the new right continue to take different forms across Europe. There is no single blueprint for the Third Way. But Europe's progressive parties share common values, and all of us are adapting to meet new challenges.

For many years in opposition, the British Labour Party was seen, however unfairly, as the party of big government, nationalization, anti-enterprise, soft on crime, unconcerned with family life, gripped by pressure groups and favoring more tax and public spending across the board.

We were also regarded as poor managers of public services, under the thumb of trade unions and producers' interests and too little concerned with choice and quality. The right was able to turn privatization and free markets into universal panaceas.

A false opposition was set up between rights and responsibilities, between compassion and ambition, between the public and private sectors, between an enterprise economy and the attack on poverty and exclusion.

New Labour has sought to move ahead and apply its values in a different way. In the economy, our approach is neither laissez-faire nor one of state in-

terference. The government's role is to promote macroeconomic stability; to develop tax and welfare policies that encourage independence, not dependence; to equip people for work by improving education and infrastructure; and to promote enterprise. We are proud to be supported by business leaders as well as trade unions.

Education is a critical priority. Higher education standards are the key to international competitiveness and an inclusive society for the future. Significant new investment is driving radical school reform, backed by targets and strong intervention in the case of failing schools.

In welfare and employment policy, the Third Way means reforming welfare to make it a pathway into work where possible. It promotes fair standards at work while making work pay by reducing the taxes and penalties that discourage work and the creation of jobs.

The Third Way strives for a new balance between rights and duties — not just in welfare but in a tough approach to youth crime and far greater emphasis on the duties of parenthood. A new approach to family support is being forged to meet the

needs of children and to help families, particularly the most vulnerable, balance work and home more effectively.

The Third Way stands for democratic renewal and a restoration of faith in politics. New Labour has devolved power within the United Kingdom: Northern Ireland has an elected assembly; the first elections to a new Scottish Parliament and Welsh Assembly take place next year; and the election of a new mayor of London is one of many steps to renewing local government.

Governments in the course of this century have been well equipped to regulate money, send out benefit checks, build houses, even fight wars and men on the moon. Now they need to learn new skills: to work in partnership with the private and voluntary sectors; to share responsibility and answer to a much more demanding public; and to cooperate internationally in new ways.

This is the Third Way. A new alliance between progress and justice. With courage, we can reverse our history without living in it, and build dynamic social democratic societies for the 21st century.

The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Anarchy Rules

PARIS — The "Lokal-Anzeiger" says: "It is instructive to compare the present position of Cuba and the Philippines with the proclamations of philanthropy and humanity which preceded the war. The Cubans are starving because the Americans deprive them of food in order to render them more pliable to the designs of Washington, while in the Philippines the monasteries which formerly governed the country are supporting the rebellion. The state of affairs prevailing on the islands liberated by the Americans resembles the anarchy prevailing on the island in the Mediterranean [Crete] liberated by the Great Powers of Europe."

1923: Bavarian Coup

BERLIN — Events are moving fast in Germany. The action of the Bavarian Government in proclaiming martial law and con-

ferring drastic dictatorial power on Herr von Kahr, the former Bavarian Premier and Nationalist leader, caused grave alarm with the consequence that Chancellor Stresemann decided to proclaim martial law throughout all the States of the Reich and place the military chiefs of the Reichswehr in supreme command.

1948: Truman Tour

AUSTIN, Tex. — President Truman offered an explanation for why he found it necessary to stamp the country on an unprecedented political tour. The majority of the American press is "for special interests," and doesn't tell the truth. Mr. Truman also glibed at the unity which his Republican opponent has been sounding. "They don't want unity," Mr. Truman said. "They want surrender. They don't intend to surrender, and don't believe the American people are going to."

Herald Tribune

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By Thomas Crampton
International Herald Tribune

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See BORDER Page 17



By Richard W. Stevenson
New York Times Staff Writer

But after a year of demands by the United States that Asia strengthen banking supervision and provide better information to investors, and after unheeded warnings to Russia about the demanding discipline of the markets, the precipitous fall of a sophisticated Wall Street firm suggests that the Treasury Department, the Federal Reserve Board and other U.S. regulators nearly missed a potentially big problem at home.

By Diana Jean Schemo
New York Times Senior

The fourth tool," Mr. Justi said, "is going to be layoffs."

By Karine Granier-Deferre
Special to the Herald Tribune

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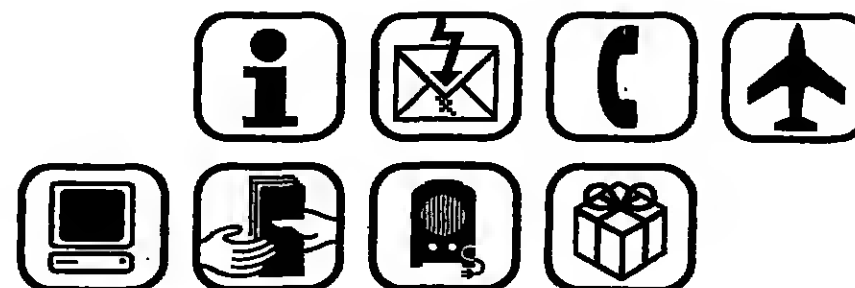
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By Don Kirk
International Herald Tribune

Foreign direct investment in South Korea this year has reached only about \$4 billion,

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INTERTRUST **International** **COMMUNICATIONS**

NASDAQ NATIONAL MARKET

Consolidated prices for all shares traded during week ended Friday, September 25

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On the Horizon

Most Active International

The Week Ahead: A Look at the Markets

Asia-Pacific

Europe

Latin America

Middle East

North America

Oceania

Other

Continued on Page 15

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CAPITAL MARKETS ON MONDAY

On the Horizon, a Drop in U.S. Corporate Profits

NEW YORK — U.S. third-quarter corporate profits are expected to decline for the first time since a recession in 1991, as slowdowns in developing countries hit exporters and international companies, analysts said.

Profits for companies that make up the Standard & Poor's 500 Index will drop 1.1 percent, dragged down by reduced earnings at oil companies and other commodities producers, according to a survey by First Call Corp. in Boston.

Exxon Corp., the largest U.S. oil company, and DuPont Co., the No. 1 U.S. chemical company, are among those expected to report declines. Worldwide demand for raw materials slumped as recessions gripped much of Asia and threatened Latin America, driving down the Commodities Research Bureau price index 11 percent this year to about 204, after dropping last month to almost 195,

lowest in 21 years. Citicorp and other large banks also are likely to report lower-than-expected profits because of losses from trading securities in emerging markets, which have tumbled.

"We're moving into a recession in terms of profits," meaning that profits will decline for "a couple" of successive quarters, said Chuck Hill, director of research at First Call.

U.S. companies have reported profit growth since the third quarter of 1991, helped by a resilient economy, analysts said. Profits rose 3.8 percent in the first quarter and 3.5 percent in the second, and are expected to gain 4.5 percent for all of 1998.

Some companies already have warned that the third quarter will be disappointing. Crown Cork & Seal Co., the No. 1 maker of cans and packaging, said Tuesday that profit would not meet analysts' expectations. Tupperware

Corp. said it would have an unexpected loss in the quarter, while Walt Disney Co. said fiscal fourth-quarter earnings would decline from last year's levels.

Slumping sales prompted firings at some of the country's biggest companies. DuPont said it would fire as many as 700 workers, close two filament production lines and idle a third at its Dacron polyester plants because of low prices.

Rockwell International Corp., the No. 1 maker of chips used in computer modems, said it would cut as many as 700 jobs as it spins off its money-losing semiconductor unit. Farm-equipment maker Case Corp. plans to cut 1,000 jobs, or 5.6 percent of its workforce, because of a projected 25 percent decline in 1998.

The anticipated profit declines hurt U.S. stocks, with the Dow Jones industrial average falling about 15 percent from its record 9,337.97 on July 17.

Many airlines are expected to beat analysts' estimates because they have been flying plane loads of vacationers around the country with cheap fuel.

UAL Corp.'s United Airlines, the largest U.S. airline, is expected to earn \$3.97 a share in the third quarter, according to First Call, up from \$3.75 in the year-ago period. Some analysts said that United picked up extra business from travelers affected by a strike at rival Northwest Airlines Corp.

Intel Corp., the world's largest maker of computer chips, said this month that sales would beat analysts' expectations. The company is expected to earn 79 cents a share, according to First Call, up from a forecast of 73 cents before the announcement. Intel earned \$1.57 billion, or 88 cents, in the year-ago period.

"The worst is over for Intel," said Bill Whitlow, manager of the \$60-million Safeco Northwest Fund in Seattle, which owns Intel shares. "I'm encouraged."

At Microsoft Corp., sales of its new Windows 98 operating systems for personal computers will help boost the world's largest software company, and smaller makers of complementary products. Microsoft is forecast to earn 49 cents a share in the quarter ending Sept. 30, compared with 36 cents a year ago.

Markets Ask How Low Rates and Dollar Will Go

By Carl Gewirtz
International Herald Tribune

PARIS — The meeting Tuesday of the policy-making committee of the U.S. Federal Reserve Board promises to be the highlight of an event-clogged week for capital markets.

It is seen as a given that the Fed will reduce its overnight lending rate by a quarter of a percentage point, to 5.25 percent. Analysts put a high probability on the Fed also lowering the discount rate, now 5 percent, by half a percentage point, that would signal a readiness to continue lowering the more important overnight rate.

Given that market rates from three-month Treasury bills to 10-year notes already stand below 5 percent, it remains to be seen whether the expected move by the Fed would simply ratify what has already occurred in the market or whether investors would now expect a series of declines in the overnight rate.

The expectation of lower U.S. rates has caused the dollar to fall in recent weeks against the Deutsche mark. With the German elections over, analysts say they see no obstacle to the dollar testing the bottom of its recent range against the mark. The dollar last week traded between 1.6971 DM and 1.6661 DM, ending at 1.6790 DM.

The only question concerning the performance of the dollar in Europe, said Jim O'Neill at Goldman Sachs in London, is whether it will stabilize at around 1.60 DM or weaken substantially further. He expects that the Bundesbank would rethink its reluctance to trim German interest rates if the dollar threatened to test 1.55 DM.

Ravi Bhattacharya at Morgan Stanley in London, a long-standing optimist on the outlook for the dollar, now says that at present, "Only a decisive rally in the U.S. stock market, clear evidence of U.S. economic resilience and signs of stability in Latin America would produce a rally in the beleaguered buck."

On Thursday, Washington will re-

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Sept. 25. Prices supplied by Telekurs.

Rnk	Name	Cpn	Maturity	Price	Crt Yld
1	Austrian Schilling				
163	Austria	6%	01/15/27	115.7500	5.4000
192	Austria	5%	01/15/08	105.4000	4.7400
214	Austria	4.50	07/15/03	101.6500	4.2300
1	Belgian Franc				
235	Belgium	zero	12/24/98	99.1374	2.4600
1	British Pound				
97	Fannie Mae	6%	06/07/02	102.4125	6.7100
126	R. Fleming Cap	8%	12/31/99	104.5000	8.0100
154	Amortg FRN	8.13	01/22/23	95.2613	8.3300
195	Amortg FRN	zero	01/10/23	20.2500	6.7900
1	Danish Krone				
28	Denmark	8	03/15/06	119.4200	6.7000
33	Denmark	7	11/15/07	115.7000	6.0400
39	Denmark	5	05/15/03	113.7300	7.0300
44	Denmark	9	11/10/24	118.4000	8.9100
44	Denmark	6	11/15/09	109.1800	5.5000
48	Denmark	9	11/15/09	108.2700	8.3100
61	Denmark	6	11/15/09	107.2100	5.9200
64	Nykredit	6	10/01/29	104.5000	6.3800
69	Denmark	7	12/15/04	112.0700	6.2500
74	Denmark	6	11/15/09	105.0200	6.7100
89	Denmark	4	02/15/01	98.2800	4.0700
101	Denmark	8	11/15/01	109.2400	7.2200
104	Nykredit	7	10/01/29	107.2200	7.1500
113	Skattekredit	6	10/01/29	123.5500	6.3000
135	Denmark	9	11/15/09	108.2900	8.9700
179	Unikredit	6	10/01/29	103.3300	6.4200
199	Denmark	10	11/02/26	99.2358	6.1100
240	Peabank	7	10/01/29	97.9500	7.1500
1	Deutsche Mark				
1	Germany	6	07/04/07	114.6000	5.2600
2	Germany	5%	01/04/08	109.3173	4.8000
3	Germany	4%	07/04/08	106.4407	4.4500
4	Germany	8	07/22/02	115.0215	8.2200
5	Germany	4%	05/17/02	102.7500	4.3800
6	Germany	4	04/16/00	100.7900	3.9700
7	Germany	4	05/19/03	103.1657	4.3600
8	Germany	4	01/04/07	113.1400	4.7600
9	Germany	5%	01/04/28	111.0906	5.0600
10	Germany	8	01/21/02	113.3613	7.0600
11	Germany	5	11/15/09	104.9800	4.7600
14	Germany	6	01/05/04	112.3500	5.0900
15	Germany	4	02/18/03	103.2225	4.3600
16	Germany	4	12/01/01	102.6222	4.3900
17	Germany	7%	01/03/05	118.9300	6.2900
18	Germany	5	08/20/01	103.8383	4.8200
19	Germany	9	10/28/00	110.6665	8.1300
20	Germany	2%	11/02/98	104.7667	5.8000
22	Germany	6%	07/04/27	123.5133	5.2600
23	Germany	4	03/17/00	100.7300	3.9700
24	Germany	4	10/01/02	115.0400	6.7400
25	Germany	8%	09/20/01	112.8829	7.3100
26	Germany	4%	08/19/02	102.9558	4.3300
29	Germany	4%	07/22/00	109.2000	8.6300
30	Germany	3%	09/22/00	104.0300	5.3300
31	Germany	3%	09/15/00	99.8800	3.2600
32	Germany	7%	01/23/02	112.9653	6.2900
34	Germany	4%	02/28/02	109.0000	4.3600
35	Germany	4%	10/14/05	112.5500	5.6400
36	Germany	4%	04/26/06	114.3171	5.4700
37	Germany	7%	10/21/02	113.3567	6.2900
38	Germany	4%	01/04/24	119.4767	5.2300
40	Germany	7%	09/29/04	114.6100	6.3000
42	Germany	6	06/29/16	116.4745	5.4700
43	Germany	5	07/04/27	124.0125	5.0800
47	Germany	6%	06/11/03	113.9371	6.0800
49	Germany	7%	11/14/04	117.0143	6.9800
50	Germany	5	05/21/01	103.4697	4.8200
51	Germany	8%	08/20/01	113.9575	7.6800
52	Germany	8%	12/20/00	111.3088	7.9700
53	Germany	6	02/14/06	112.5000	5.3300
54	Germany	5%	02/21/01	103.8757	5.6500
55	Germany	4%	04/22/03	112.2445	6.0000
56	Germany	5%	11/21/00	103.2557	4.9600
58	Germany	5%	07/15/04	115.4485	5.9700
60	Germany	5%	05/15/00	103.6700	5.6700
63	Germany	3%	04/19/99	100.0100	3.5800
64	Germany	6%	03/15/00	104.1900	6.2400
68	Germany FRN	3.22	09/20/04	99.8300	3.2300
72	Germany	6%	07/15/02	111.6700	5.8400
73	Treasury	6%	04/23/03	111.3200	5.8400
74	Germany	4%	12/17/99	108.3700	4.2100
84	Germany	3%	03/19/99	100.1000	3.7500

Rnk	Name	Cpn	Maturity	Price	Crt Yld
85	Treasury	6%	07/05/03	112.1288	5.7100
86	Germany	9	01/22/01	111.9210	5.8500
87	Germany	6	09/15/03	109.9244	5.4400
88	Germany	7%	12/20/02	113.0800	6.3000
100	Treasury	5%	09/24/06	100.0000	5.5200
102	Germany	6%	05/15/99	103.0300	4.5500
104	Germany	8%	05/21/01	111.9157	7.4800
105	Germany	8%	07/15/99	98.9801	3.4000
111	Germany	8%	02/20/01	111.1450	6.7000
114	Germany	5%	05/28/99	101.4900	6.0200
117	Treasury	6%	07/15/04	114.4900	5.9000
121	Germany	5%	05/28/99	101.4500	5.6700
125	Treasury	6%	11/15/03	109.9013	5.4600
128	Treasury	4	09/17/99	106.4900	3.9800
134	Treasury	5	12/17/98	100.3200	4.9900
138	Germany	7%	01/20/00	102.7363	6.0100
143	Depto	4%	07/15/08	102.1309	4.6500
149	KFW	5	01/04/09	105.0000	4.7400
150	Treasury	6%	07/15/99	102.1200	5.4900
154	Germany	7	01/15/00	104.3600	6.7100
178	Germany	8%	05/22/00	108.2100	8.0900
181	Germany FRN	2.40	04/04/00	99.6300	3.4000
187	Germany	6%	02/24/99	101.3186	6.7900
202	Germany	4%	04/21/99	102.3800	6.0900
203	Germany	6%	01/04/02	103.2800	6.0100
212	Canada	4%	07/07/08	101.4082	4.8100
215	Belgium	5%	03/28/08	101.4680	5.1700
223	Treasury	5%	04/29/99	101.2600	5.6800
229	Land Berlin	9	10/16/00	110.4900	8.1500
233	Frankfurt Hypo	4%	08/05/08	102.2500	4.6500
234	Bundespost	7%	10/01/04	119.3000	6.5000
234	Hypothek Essen	8%	08/01/00	107.8200	6.4300
239	Hypothek	4%	09/24/08	98.1719	4.3300
1	Dutch Guilder				
52	Netherlands	5%	07/15/08	109.1000	4.8100
62	Netherlands	9	01/15/01	111.6400	8.0600
67	Netherlands	5%	01/15/02	108.7000	5.0400
80	Netherlands	6%	01/15/02	107.1510	5.7200
83	Netherlands	6%	03/15/01	111.2500	7.4400
112	Netherlands	5%	02/15/07	111.9000	5.1400
115	Netherlands	7%	02/15/00	108.4200	6.3000
119	Netherlands	7%	01/15/23	137.3500	5.4600
122	Netherlands	7%	04/15/10	129.2000	5.8000
124	Netherlands	7%	02/15/03	112.6500	6.2100
127	Netherlands	8%	09/15/07	130.7500	6.3100
139	Netherlands	6	01/15/04	112.5000	5.3300
141	Netherlands	8%	04/15/02	115.3500	7.1500
142	Netherlands	4	01/15/02	114.1400	4.7200
144	Netherlands SP	zero	01/15/23	29.1000	5.2100
147	Netherlands	6%	04/15/03	111.0000	5.8600
158	Netherlands	7%	11/15/99	104.2500	7.1700
164	Netherlands	9	10/16/00	110.4900	8.1500
166	Netherlands	8%	02/15/00	106.4400	7.9000
168	Netherlands	7%	06/15/99	102.7000	7.2800
175	Netherlands	8%	05/01/00	107.8200	6.1200
189	Netherlands	8%	09/15/01	113.7500	7.6000
190	Netherlands	7%	06/15/05	117.2000	5.9500
191	Netherlands	8%	06/15/00	108.2900	8.9700
196	Netherlands	7%	01/15/00	105.1700	7.3900
210	Netherlands	8%	06/01/04	129.1000	6.5800
227	Netherlands	5%	01/15/04	109.0000	5.2900
231	Netherlands	7%	07/15/99	102.8100	7.0500
1	ECU				
27	France	5%	04/25/08	111.0764	4.7300
29	France BTAN	4%	07/12/02	102.3000	4.4000
81	France OAT	7%	04/25/03	120.5000	6.2900
82	France BTAN	4%	07/12/03	102.8000	4.4200
93	Sweden	4%	01/08/00	104.2500	4.5900
107	Finland	5	04/25/09	104.0104	4.9700
108	France OAT	5%	04/25/07	108.0000	5.7900
116	Italy	5	04/15/06	105.9772	4.7100
123	Italy	4	05/01/08	104.8909	4.7700
213	France BTAN	4	07/12/00	104.5600	3.9800
219	Spain	5.15	07/30/09	108.5750	5.1000
218	World Bank	4	09/08/00	102.6518	4.1600
237	France OAT	4	04/25/22	146.9100	5.6200
248	Spain	6	01/31/29	110.2650	5.4900
1	Finnish Markka				
152	Finland	10	09/15/01	117.0830	8.5400
1	French Franc				
97	France OAT	5%	04/25/08	108.9900	4.8300
23	France OAT	6	10/23/25	115.4000	5.2000
219	France OAT	5%	04/25/04	108.6800	5.6500

Figures as of close
of trading Friday, September 25

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

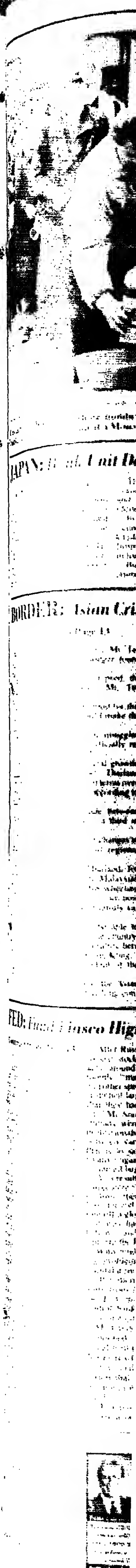
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This table shows the performance of Nasdaq-listed mutual funds through Friday and includes the top 4,000 funds in terms of assets. There are roughly 6,150 funds currently listed on Nasdaq.

NAV is the net asset value, i.e. the portfolio value divided by the number of shares outstanding, as reported by the fund through Nandem. NAV excludes all sales or redemption charges. *Cheng, H. & H. & H.*

contractual plan; n - non front-end load or contingent deferred sales loads; p - fund assets are used to pay distribution costs; r - redemption fee or contingent deferred sales load may apply; 1 - footnote p and n apply.

1. THE UNITED STATES OF AMERICA



SHORT COVER

Ministers Seek Greater EU Role

VIENNA (AFP) — European Union finance ministers headed home from their meeting here Sunday after agreeing that Europe needed to play a greater role on the world economic stage as it prepared to launch its single currency.

The Asian and Russian crises have underlined that the EU must accept the responsibilities that go with the euro, set to become a key global currency when it is launched Jan. 1, they said.

"We are aware that Europe should play a stronger role in activating the reform of the International Monetary Fund," the European monetary affairs commissioner, Yves-Thibault de Silguy, said.

Telecom Italia Sets Expansion Plan

ROME (Bloomberg) — Telecom Italia SpA, the former telephone monopoly, said Sunday it planned to invest \$24 billion in foreign expansion and new technology, cut 8,000 jobs and sell assets as its home market is opened up to rivals.

The three-year development plan adopted by the board also calls for average sales growth of more than 7 percent, compared with 6.6 percent in the first half of this year, and aims for the company to at least maintain profit margins.

It was the first time Telecom Italia had outlined its strategy since the world's eighth-largest telephone company was sold off by the state last year and Italy's fixed-line market was opened to competition Jan. 1.

Iran Authorizes a Private Bank

TEHRAN (AFP) — Parliament passed a law Sunday authorizing the creation of a private bank in Iran for the first time since the 1979 Islamic Revolution.

Under the law, the bank is to be launched with private investment and is not to be subject to the same regulations as state banks. Iran has a half a dozen banks, all of which were nationalized after the revolution.

Cathay to Add Philippine Flights

HONG KONG (Bloomberg) — Cathay Pacific Airways Ltd., Hong Kong's only long-haul carrier, said it would add 10 charter flights a day within the Philippines to fill a void left by Philippine Airlines, which closed Wednesday with \$2.1 billion in debts.

The new charter flights will use Airbus A330-300 aircraft, and more may be added, Cathay said Saturday.

Founder of Domino's Pizza Retires

DETROIT (AP) — Tom Monaghan, the founder of Domino's Pizza, said he was retiring and selling practically the entire company to a Massachusetts investment firm so that he could devote his time to charity.

The purchase price for the chain was not disclosed.

Russia Tries an Old Vodka Recipe

State Controls to Return in a Bid to Recapture Tax Revenue

By Michael Wines
New York Times Service

MOSCOW — Reining in Russia's boundless thirst for illicit, untaxed and therefore cheap vodka is easy: President Boris Yeltsin's government has done it dozens of times.

There was the decree last year that banned walk-up liquor sales at sidewalk kiosks; the kiosks quickly mutated into sidewalk stores with phone-booth-sized sale rooms. A decree the previous year set a minimum price of 18.40 rubles a liter at stores; it aimed to wipe out the price advantage of untaxed vodka but instead expanded the black market.

There have been 40 or so other similar decrees, plus a near-war with Georgia last autumn to block fleets of ethyl alcohol tank trucks — all to some, but not very much, avail.

Now the new prime minister, Yevgeny Primakov, is preparing another vodka decree, a get-tough plan with the statist stamp of Mr. Yeltsin's new Communist-led ministries and the endorsement of moderates — which is not to say it will work, either.

"The alcohol industry is now under mafia control," said Nikolai Petrakov, an economist and director of the Institute of Market Problems in Moscow. "It was simple to

privatize production and trade of vodka. It will be very difficult to return to the old position."

Mr. Primakov intends to try anyway. Details are scarce, but his aides said the government would effectively retake control of key parts of the vodka industry that were set free when Mr. Yeltsin liquidated the state vodka monopoly in May 1992.

Private vodka manufacturers — they are not distillers, just mixers of alcohol, water and flavors — would keep their licenses if they let the government clear their major production decisions. The government also would decide who gets to sell the billions of 1-liter bottles of vodka that fly from Russian shelves each year.

Moscow already controls the 162 distilleries that make virtually all the alcohol used in legal vodka; control of production and distribution supposedly will re-establish something akin to the Soviet-era industry, but with some room for private profit.

"All those who will get a quota to produce alcohol will function," Genadi Kulik, the deputy prime minister for agriculture, said last week.

"Those who will not get this quota for various reasons will either have to change their product line or work according to the government."

Among Russians, at least, the



Unemployed Russians, whose numbers have increased since the ruble devaluation, lining up at a Moscow railroad station for soup.

JAPAN: Bank Unit Declares Bankruptcy as Parties Seal Deal on a Plan to Reform Financial Sector

Continued from Page 1

markets consider Long-Term Credit insolvent because of its exposure to huge problem loans extended through affiliates during the "bubble economy" investment boom.

Long-Term Credit, one of Japan's top 19 banks, virtually collapsed in June when its share price dropped sharply.

The bank was forced to ask Sumitomo to absorb it in a rescue merger and then pleaded for taxpayers' money to shore up its capital.

In a drastic reform plan announced last month, Long-Term Credit said it would bail out the three firms by writing off \$20 billion yen in loans extended to them.

But on Friday, the Japanese government said it would not finance

the bank's offer of support to three of its struggling affiliates, including Japan Leasing.

(AFP, Reuters)

Fact Could End Paralysis

Sheryl WuDunn of The New York Times reported earlier:

The agreement reached on Saturday, if it sticks, may dispel concerns that Japan's political paralysis will continue to hobble its economy.

The parties had reached an agreement earlier, on Sept. 18, but it began unraveling just as Prime Minister Obuchi and President Bill Clinton were meeting in New York on Tuesday to discuss global economic problems.

Markets in Tokyo and around the world had been concerned that if the deal fell apart, Japan's economic troubles would worsen and spread around the world.

With Saturday's agreement, a set of long-awaited financial laws could be passed by Parliament by Oct. 7, when the current legislative session ends.

The new laws would set up a mechanism for strengthening Japan's banks, dealing with large bank failures and confronting the problem of bad loans that are at the heart of the nation's economic crisis.

BORDER: Asian Crisis Puts Lid on Smuggling

Continued from Page 13

But despite wide profit margins, Mr. Teh said his former customers no longer found that crime paid.

"With the Thai economy collapsed, the smuggling has slowed down," Mr. Teh said.

He added: "It is already not good for this town, and currency controls could make the situation worse."

While the volume of trade in smuggled goods is difficult to measure, officially recorded border trade has plunged.

After years of 20 percent annual growth, trade between Malaysia and Thailand dropped nearly 40 percent in dollar terms over the first six months of this year, according to the Thai Commerce Ministry.

During the same period, trade between Burma and Thailand fell nearly a third in value.

This trade slowdown is forcing changes in traditional border businesses and regional economic-development models.

Hotel owners in southern Thailand, for example, who formerly catered to Malaysian men wishing to sample the freewheeling nightlife of a non-Muslim country are now hoping to fill rooms instead with family vacationers.

"Since Malaysians will only be able to bring a little bit of money out of the country, we hope they will take their families here instead of going all the way to Hong Kong," said Sawai Nn Phatthalung, president of the Pink Hotel in Hat Yai.

To try to revive regional trade, the Asian Development Bank — which has long con-

sidered the legalization and promotion of border trade as crucial to development — is altering tactics on one of its most high-profile regional projects, the Greater Mekong Subregion project.

Instead of emphasizing broad changes in national trade laws, early next month the Asian Development Bank will propose that the region's ministers authorize a series of free-trade zones and industrial parks along the borders of Thailand, Laos, Cambodia, Vietnam, Burma and China.

"The situation is quite different now, and it is difficult to make changes in the macro trade framework in these countries," said Kazu Sakai, head of the Asian Development Bank's Greater Mekong Subregion Unit.

"If we aim for changes within specific small geographical areas, we will make more progress."

He added: "Stimulating cross-border exchange is very important for getting out of this crisis."

As trade between countries declines, many also fear cross-border cooperation could diminish.

"It will be more difficult to get countries to work together on environmentally sound and socially just projects when their economies are suffering and they are keen to just sell any project," said Lars Andreasson, chief of public relations and coordination at the Mekong River Commission, a regional-development organization.

Nicholas Freeman, head of Indochina research at ING Barings, added, "Asia has changed so much in the last 18 months that projects many people thought possible now seem much less tenable."

FED: Fund Fiasco Highlights U.S. Vulnerability

Continued from Page 13

"This is how the situation should have played out, given our current regime," said Bert, a consultant to the financial-services industry.

However, and this is where the average citizen should be concerned, it raises public-policy questions about how this got out of control the way it did.

To some extent, the answer lies in the nature of the financial instruments being traded by Long-Term Capital Management and other investment firms and banks. Not only are the derivative securities it traded so complex that they are truly understood by only a relative handful of people, but the strategies employed by Long-Term Capital and other firms are closely guarded secrets.

The hedge-fund industry operates largely outside traditional bank and securities regulations and relies on money borrowed from a variety of sources, including commercial banks, which to some degree are gambling with federally insured deposits.

George Soros, perhaps the best-known hedge-fund operator, described the industry in congressional testimony this month as "a daisy chain with many intermediaries, and each intermediary has an obligation to his counterparts without knowing who else is involved."

His appearance before the House of Representatives Banking Committee on Sept. 15 came more than a week before Long-Term Capital Management's problems became public. But Mr. Soros was almost certainly aware of the developing difficulties at Long-Term Capital.

After Russia's debt default rocked stock and bond markets around the world last month, "many hedge funds and other speculative accounts sustained large enough losses that they had to be liquidated," Mr. Soros said. "Normal spreads were disrupted, and professionals who arbitrage between various derivatives, that is to say, trade one derivative against another, also sustained large losses."

As a result, Mr. Soros said, banks were "frantically trying to limit their exposure, de-leverage and reduce risk," setting off a global credit crunch that was hurting developing nations and beginning to squeeze the United States.

With hindsight, the brewing problems at Long-Term Capital were no doubt a factor in the increasingly explicit hints from Alan Greenspan, the Fed chairman, that the central bank might soon reduce interest rates.

Mr. Greenspan specifically mentioned during congressional testimony Wednesday that increasing disruptions to the financial system were one reason that an easier monetary policy might soon be justified.

Mr. Greenspan has always been reluctant to impose more

regulation on derivatives, arguing that banks and other financial institutions are in a better position than auditors or regulators to determine the value and risk of the securities they hold and finance.

"Hedge funds are very strongly regulated by those who lend the money," Mr. Greenspan told Congress.

But Mr. Greenspan and Treasury Secretary Robert Rubin have been warning for months about the perils of lenders becoming too relaxed about risk.

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INTERNATIONAL INVESTING

A Fund Manager Stays on Track With Bets on European Transport Firms



John Boich sees the equity culture taking root in Continental Europe.

John Boich has been on the right track. Last autumn, the co-manager of four international funds for Commerzbank's San Francisco subsidiary Montgomery Asset Management offered readers of the International Herald Tribune's Money Report section five stock picks in the European transportation industry, all of which subsequently made significant advances.

Even after the recent market mayhem, four of the five are higher now than they were last year, and the one that is not — Vossloh AG, a German maker of railroad equipment — has acquired a large part of one of the other picks, VAE Eisenbahnsysteme AG, an Austrian company that makes turnouts, the equipment that allows trains to switch tracks.

His other choices, Henlys Group PLC, Avis Europe PLC and National Express Group PLC, have all registered sharp gains.

Mr. Boich remains bullish on European stocks in the run-up to the single currency. He still likes transportation-related companies, notably the German luxury-car maker Porsche AG, whose stock he expects to more than double in 12 months.

Meanwhile, as Europeans start to worry about retirement, he also likes some leading financial companies that will help people invest more actively and aggressively than has been the norm in the past. He shared his rationales for these picks with the International Herald Tribune's Mitchell Martin.

Q. Why are you so optimistic about Porsche?
A. This one is simply down to earnings visibility. One of the things that we try to do is develop

Q & A / John Boich of Montgomery Asset Management

earnings estimates that are materially different from the consensus. Porsche is one of those examples where we believe we have exceptional insight on future earnings based on our intimate sessions with management. We have gone to the trouble to model this thing out to the level of profitability by model, and we have a lot of conviction in our earnings [estimates], which are materially above the Street.

Q. What makes your estimates better than the next guy's?

A. It's the level of detail. We take a lot of pride in what we call primary original research, i.e., do the work yourself, have multiple sources. It is talking to the company, talking to the competitors, talking to the suppliers.

For example, we know the company who supplies all the brakes for the Boxsters and the new 911s: Brembo of Italy. We don't own them, we're not going to own them — they're expensive, at least they were previously — but we want to know what their expectations are, what they are under contract to ship to Porsche.

Q. Why should they tell you?

A. Some of them don't, but remember, asking the right questions is part of the battle.

Q. What did you find out about Porsche?
A. The profitability of the new 911, we believe, is going to be beyond what the general consensus

has been. There is a lot of visibility in the earnings because they sell a very limited number of models, and there are backlogs for both the Boxster and the 911.

There is a craze for the new 911; they cannot make enough of them right now. Granted, what is going on in the financial markets is going to impact the appetite for that stuff, but we have on our books something like nine months of combined backlog for a company that produces 40,000 cars. It's not like they are Renault, producing 2 million; they only have to sell 40,000 to make the number.

Porsche has been crushed in this environment. People say, "Luxury goods, expensive." I think they have got it all wrong.

Q. What other transportation issues do you like?

A. The 12-month story on Virgin Express is very positive. They have just got a problem with the pay structure of their Belgian-based pilots that they are going to resolve.

Underlying growth will be fueled by strong incremental traffic growth arising from deregulation and lower tariffs. Virgin will also be boosted by several other factors, including its strong brand image, shift of emphasis from charter to scheduled service and prudent expansion into new markets.

The other one that we have added in that theme

— Schenker of Germany — is a leading supplier of components and systems for rail transport engineering in Europe and is active in several strategic business areas such as reconstruction of rolling stock and components for trams and trolley buses. The privatization and deregulation of the rail-transport industry across Europe should be a material catalyst for the business momentum of Schenker over the coming two years.

Q. We have seen growing interest in stocks in Britain, but is it the same on the Continent?

A. The equity culture in Britain is very advanced. Continental Europe is where I am pointing my finger now, and I point it to things like privatization that expose individuals to equities for the first time involuntarily. They have had the luxury of having it work for them. They have made money.

Another thing is interest rates. Remember that all across Continental Europe, north and south, you have had much higher interest rates traditionally, and you have had a very set fixed-income mentality. In Southern Europe you were earning double-digit returns until as little as a couple of years ago.

If you look really closely behind some of the financial markets in places like Italy and Spain and France, there was a government-orchestrated system whereby the saver was incentivized to put money in the insurance companies and banks and the insurance companies and banks were in turn incentivized to buy government securities to finance the public debt.

That whole incentive system has changed. The deficits are down; there is no longer a need to channel those savings back to the government. Now they want to grow and modernize their economies, and they want to channel those savings into capital markets.

They want to have entrepreneurialism, they want a capital-market structure that is more mature and more developed. In addition to that, they want to encourage savings for retirement.

Q. What are some growth stocks in the financial sector?

A. One is ING Groep in the Netherlands. There is going to be continued consolidation in the European financial-services industry, which has been quite a big catalyst for some of the share-price appreciation over the last 12 to 18 months.

Q. Doesn't that make the industry overbanked?

A. Most definitely.

Q. So what makes ING a better bet than another bank?

A. Capital, for one thing. The well-capitalized entities will clearly be the beneficiaries in the consolidating industry, and you are at a stage right now where the capital requirements are increasing. The euro, the millennium — general information technology needs to be a pan-European entity. There are probably only about a quarter of them that can come close to doing that properly.

Look at banking across the Internet, for example. The bank with the strongest capital base and the most efficient in operating and administration is going to be able to offer the best rates.

Q. So far, that has not taken off.

A. You need a single currency to start with. That is one big barrier. It is probably not going to take off like wildfire, but I believe that the distribution arms of the big European financial institutions are going to get a lot longer really quick.

Using U.S. Tax Law to Gain From Losers

The Associated Press

NEW YORK — If there are some lemons lying around in your mutual-fund portfolio, here's a chance, as the saying goes, to make some lemonade.

A losing investment is never a total loss if it can be used as a helpful tax write-off. And after the carnage in the stock market in recent months, between now and the end of 1998 may be a prime occasion for many U.S. investors to comb through their holdings for tax losses to take.

Washington stands ready to share your financial pain by allowing you to write off any losses you realize on your tax return — first against whatever capital gains you have to report and then, within limits, against your other income as well.

But a failed investment does not become a possible tax write-off until you realize the loss by selling your shares. That's where tax planning comes in as the last quarter of 1998 approaches.

Most types of U.S. stock funds have fallen 10 percent or more since early summer, so if you bought any fund shares in May, June or July, they may be selling now for less than your purchase price and thus eligible for tax-loss selling.

But the best candidates of all are likely to be found in specialized areas of the market such as small-stock growth funds, emerging-markets

stock and bond funds and Asian funds, all of which have been taking a pounding since well before the Dow Jones industrial average topped out in July and started to tumble.

In the 12-month period from mid-September 1997 to mid-September 1998, for instance, emerging-markets stock funds lost more than 48 percent, as tracked by the research firm of Lipper Analytical Services. Pacific funds and Latin American funds each fell more than 50 percent.

In an era of low inflation, meanwhile, gold-oriented funds dropped more than 35 percent in the past year, extending a long bear market. Most people who have precious-metals investments now can use them for tax-loss purposes.

Tax losses may come in handy because a good many stock funds will probably be making sizable capital-gains distributions again at the end of 1998. Many of the stocks that managers sold amid the recent market turmoil were bought at lower prices months or years before.

As experienced fund investors know, any capital-gains distributions you receive outside the protection of a tax-deferred retirement account are subject to income taxation in the year they are made, even if you automatically reinvest the money in your fund.

But any losses you have in your taxable accounts can be used dollar-for-dollar to offset taxable capital gains, whether they came in the

form of distributions or in shares you sold or redeemed at a profit.

Any time you sell part of a position in any fund, take care to follow the rules carefully so that the shares you sell are clearly identified to give you the maximum tax advantage.

Transaction costs also must be considered. The tax benefits are diminished if fund shares that you sell incur a deferred sales charge or other fee — or if you will incur significant expenses reinvesting the money somewhere else.

As long as you do it right, you can usually use mutual funds for tax-planning purposes without seriously disrupting your long-term investment plan.

Suppose, for instance, that you own shares of what Wall Street wags now call a "submerging markets" fund. You want to keep money in the emerging-markets sector, suspecting that it is overdue for a rally, but also want to book your present loss for tax purposes.

You can plow the money right back in the same fund, as long as you buy at least 31 days before or after you sell, to avoid what the Internal Revenue Service deems a "wash sale," or sham transaction.

Alternately, you can invest the proceeds of your sale in a different fund that pursues the same objectives using pretty much the same strategy. If the new security you buy is different from the one you sold, the wash-sale rule does not apply.

SEC to Unveil New Rules For Reporting Earnings

Bloomberg News

WASHINGTON — The Securities and Exchange Commission's chairman, Arthur Levitt, responding to a rash of serious corporate accounting problems, plans Monday to outline changes to improve the way companies report earnings.

The SEC has met with executives, accounting professionals and analysts in the past two months to try to determine whether new rules were needed to prevent accounting problems like those that were recently uncovered at Centant Corp., Sunbeam Corp. and Livent Inc.

"People have said in some cases there seems to be a lack of clarity in how to account for certain things," Lynn Turner, the SEC's chief accountant, said in an interview this month. "Analysts are looking for more disclosure on some of those activities."

The SEC would not discuss specific details of Mr. Levitt's proposal to "improve the quality of reported earnings." But the commission said the proposal would be unveiled in New York during a "major address on the state of financial reporting."

Recently, agency officials have expressed concern about a range of accounting practices, including the way companies write off merger-related items, account for restructuring costs, and record reserves for future expenses.

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SPORTS

Olano Captures Vuelta

But Armstrong's Courage Impresses Riders

Reuters
MADRID—Abraham Olano and his Banesto team may have been the toast of Spain on Sunday after winning the Tour of Spain, but Lance Armstrong stole the show.

The American's performance in finishing fourth a year after winning a fight against cancer was hailed as "phenomenal, unrealistic and exceptional" by some of the biggest men in the game.

Armstrong was two minutes 18 seconds behind Olano, who gave Spain its first victory in seven years. Fernando

"What he has achieved is unrealistic considering what he has been through," Welch said. "After this he can consider himself a possible Tour winner."

Armstrong has emphatically responded to those doubters who declined the chance to take a former cancer patient on their team.

"The Tour de France was a nonevent, and many came away with nothing," said Armstrong, 27, referring to the withdrawal of Spanish teams in protest at the acquisition over doping. "So they were very prepared, and at times the speed on the flats was 75 to 80 kilometers per hour. After the first eight days there were guys already an hour behind."

"When the chase was on in the mountains I had to race with a twisted wheel because if I had stopped to change it I would have lost 30 minutes," he said.

"Two days ago it was anyone's race, and I did not think I would come that close to Jimenez. For me, he is the winner of the race," Armstrong said. "At the toughest moments he was the strongest, but he had to control himself and work for Olano. If he had been allowed to let loose many of us would have lost minutes."

Jimenez, who won four stages, said he had wanted Armstrong to win the final mountain stage at Navacerrada.

"I told him to go as we approached the finish but he could not make it," said Jimenez. "I would have liked him to have won because of his great merit in fighting cancer. It would have been beautiful after that."

Marcus Zberg of Switzerland, winner of the first stage in Cordoba, won the final stage into the Spanish capital, outspringing Max van Heeswijk of the Netherlands with Giancarlo Raimondi of Italy third.

THE TOUR OF SPAIN

Escartin finished 1:23 behind Olano and Jose Maria Jimenez finished 2:12 behind, completing a Spanish sweep.

Armstrong is approaching the peak that made him a world champion five years ago. That is where he aims to be in two weeks' time. His dream is to be on the World Championship podium at Valkenburg in the Netherlands.

"He is my favorite for the world title," said Jose Miguel Echavarri, the man who molded Miguel Indurain into a world champion and five-time Tour de France winner.

"It was phenomenal," Indurain said. "After all he has been through you have to compliment him for his fighting spirit."

Laurent Jalabert of France, the 1995 Tour winner and former world No. 1, also was impressed. "He is the man of the year because he came back from nowhere. He is winning races again, and what he has done in the Vuelta is exceptional."

Johnny Welch, manager of Armstrong's team, U.S. Postal Services, said that if the Tour had gone on three more days, Armstrong would have won it.



Abraham Olano, center, celebrating his victory and Spain's sweep in the Vuelta with Fernando Escartin, left, and Jose Maria Jimenez.

Montgomerie Wins in Cologne

The Associated Press

COLOGNE—Colin Montgomerie's final putt Sunday ended the hopes of several challengers as he captured the German Masters by a stroke while firing a final round 67.

The Scotsman also took over as Europe's leading money-winner when he fired a 6-foot par putt dropped in the final hole, saving off a charging Vijay Singh and Sweden's Robert Karlsson.

"I'm happy to be back," said an overjoyed Montgomerie, who had endured the deepest slump of his 12-year career earlier this season.

Montgomerie, who had the lead wrestled away when Karlsson's 8-meter (25-foot) shot from the rough dropped

in for a 13th hole eagle, finished at 22-under 266 at the \$1.68 million event.

His confidence, which had waned when he missed several cuts in mid-season, has rebounded to help him win his second tournament this month after the One Two British Masters.

Both Karlsson and Singh, the PGA Championship winner who pressured the Scotsman by sinking two late birdies, finished at 267 with a final round 67.

Montgomerie's third title this year was worth \$270,000 and swept him past England's Lee Westwood on the earnings list. With just two events left, he is on a record sixth straight Order-of-Merit title.

SEASON: A Shot in the Arm for Baseball

Continued from Page 1

dollars for tickets to watch every minute of batting practice and then to see a game. Those who couldn't see back to baseball. Football may always be the ratings king in American sports, but baseball made dramatic gains this summer.

"I do think what Sammy and I have done is bring people back to the games," McGwire said. "And you know what? When they get back, they find there's a lot to like beside me and Sammy hitting home runs."

The home run race overshadowed virtually every other accomplishment in a season when baseball will have more teams winning 100 games and more pitchers winning 20 games than at almost any time in history.

Even the fact that the Cubs competed for their first playoff spot in nine years has been lost in the clamor over the home run race.

Fans flocked to St. Louis from Arkansas and Texas and Oklahoma, sometimes driving for hours just hoping someone would have an extra ticket to spill McGwire's batting practice swings became must-see events. The Pirates, Reds, Brewers and Braves drew their biggest crowds of the season when McGwire came to town.

Sosa was an attraction only after hitting a record 20 home runs in June—a major-league record for a single month—but in the past few weeks, his appearance at a ballpark attracted similar attention.

John McDonough, vice president of marketing and broadcasting for the Cubs, said: "I'm not sure we'll see anything like this for many, many years. We love Sammy. He's a great ambassador for baseball. The best thing Sammy has is that he's very, very genuine."

Through last Wednesday, the Cardinals had drawn 3,010,639 fans this season—553,693 more than during the same period last year. At an average ticket price

of \$15.47 this year, the increased attendance amounts to an extra \$8.5 million in revenue to the Cardinals' owners, not including the hot dogs, programs, parking and everything else that fans purchase at the stadium. Chicago's attendance is up by 393,136 compared to this time last year for a total of 2,533,444 fans, according to Team Marketing Report. At \$14.63 per ticket, that amounts to an extra \$5.6 million in revenue to the team.

Total attendance for all 30 Major League teams is 68.6 million so far, up 7.3 million from last year.

Both the Cardinals and Cubs brought fans to their opponents' stadiums, with Chicago raising attendance at road games by more than 370,000 over last year and St. Louis by more than 270,000 as of last Wednesday.

Still, the NFL still draws television audiences around two-thirds larger than baseball's, and the NBC network's regular season National Basketball Association audiences are 55 percent higher than those for the Fox network's Saturday baseball games.

But after years of decline, baseball's at least moving in the other direction. When McGwire broke the record with home run No. 62 in a prime-time telecast Sept. 8, it was the highest rated regular season baseball game on network television since Aug. 23, 1982.

"People have compared McGwire's role to what Babe Ruth did in '27," said Ed Goren, executive producer for Fox Sports, "as far as what it's done for the game."

Baseball won't know how much of this season's enthusiasm will carry over into 1999, but Sosa and McGwire have allowed the people involved in the sport to once more feel good about themselves.

Reggie Jackson, the former slugger for the Oakland Athletics and New York Yankees and a member of baseball's Hall of Fame, spoke for a lot of players and managers when he said recently, "They make me proud to call myself a baseball player."

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
Yankees	71	50	.587	—
Toronto	54	67	.446	16 1/2
Baltimore	59	62	.488	11 1/2
Tampa Bay	63	58	.519	8 1/2

CENTRAL DIVISION

Team	W	L	Pct.	GB
Cleveland	79	52	.604	—
Chicago	75	56	.571	4 1/2
Kansas City	62	69	.473	17 1/2
Minnesota	65	56	.538	14 1/2
Detroit	65	56	.538	14 1/2

WEST DIVISION

Team	W	L	Pct.	GB
Seattle	74	57	.566	—
San Diego	74	57	.566	—
Oakland	74	57	.566	—

NATIONAL LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
Atlanta	78	54	.591	—
Philadelphia	78	54	.591	—
Pittsburgh	78	54	.591	—
Florida	78	54	.591	—

CENTRAL DIVISION

Team	W	L	Pct.	GB
St. Louis	78	54	.591	—
Chicago	78	54	.591	—
San Francisco	78	54	.591	—
Arizona	78	54	.591	—

WEST DIVISION

Team	W	L	Pct.	GB
San Diego	78	54	.591	—
Los Angeles	78	54	.591	—
Colorado	78	54	.591	—
Astoria	78	54	.591	—

WORLD CHAMPIONSHIP

Team	W	L	Pct.	GB
Chicago	78	54	.591	—
San Francisco	78	54	.591	—
New York	78	54	.591	—

JAPANESE LEAGUES

Team	W	L	Pct.	GB
Yokohama	78	54	.591	—
Osaka	78	54	.591	—
Yokohama	78	54	.591	—
Osaka	78	54	.591	—

AUSTRALIAN LEAGUES

Team	W	L	Pct.	GB
Adelaide	78	54	.591	—
Perth	78	54	.591	—
Adelaide	78	54	.591	—
Perth	78	54	.591	—

AUSTRALIAN LEAGUES

Team	W	L	Pct.	GB
Adelaide	78	54	.591	—
Perth	78	54	.591	—
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SPORTS

McGwire Smashes 2 More to Reach 70

Sosa Holding at 66 as Cubs Face the Astros

The Associated Press
ST. LOUIS — Mark McGwire ended his season as mightily as he started it. McGwire hit his 69th and 70th homers on the season's last day, a fitting finale for a record-smashing year he began with a grand slam on opening day.

Big Mac, who hit five homers on the final weekend, connected against a Montreal rookie, Mike Thurman, in the third inning Sunday, then homered off Carl Pavano for No. 70 in the seventh. McGwire moved four homers ahead of Sammy Sosa and nine — nine! — in front of Roger Maris' old record.

McGwire, who got Nos. 67 and 68 on Saturday, hit a 1-1 fastball 377 feet into the left-field seats. After stomping on

home plate, he took a few slow steps, then made several salutes to the crowd.

The usual sellout crowd that had good seats before his at-bat demanded McGwire did not get one, but two, curtain calls.

Gary Woodson, 41, from Maryland Heights, Missouri, wound up with the ball and said he did not know what he would do with it.

McGwire began the season with a grand slam March 31 against Ramon Martinez of the Dodgers. He led the home run race all season except when Sosa twice passed him briefly — and then for only 103 minutes in all.

Sosa led the race for 58 minutes on Aug. 19 before McGwire regained the lead with his 48th and 49th homers in the same game at Chicago, and Sosa led for 45 minutes Friday when he hit his 66th before McGwire answered.

Sunday was the Cardinals' final game of the season. Sosa's Cubs were playing at Houston in a game that could end their regular season or send them into a play-off game for the NL wild-card spot.

Braves 7, Mets 2 A disastrous final week for the New York Mets ended with a miserable last day.

The Mets, who had a one-game lead in the NL wild-card race going into their final five games, were eliminated from the playoffs with a 7-2 loss to the Braves in Atlanta.

Counting for their first postseason appearance since 1988, the Mets

bombed out, going 0-5 and scoring just seven runs in their last 44 innings.

New York, which dropped out of a three-way tie by losing 4-0 Saturday, began Sunday one game behind Chicago and San Francisco, needing a victory over the Braves and losses by both the Cubs and Giants to force a three-way playoff. Atlanta, which has won seven straight division titles, quickly ended that illusion with a four-run second inning.

Unlike the Mets, who wasted numerous chances during the three-game sweep, the Braves scored their first six runs with two outs hits and went on to their team-record 106th win. They open the playoffs Wednesday against either the Cubs or Giants.

Blue Jays 2, Tigers 1 In Toronto, Roy Halladay, pitching just his second major-league game, came within one out of a no-hitter, losing his bid when a pinch-hitter, Bobby Higginson, homered in the Blue Jays' victory over Detroit.

Halladay (1-0) earned his first victory in the majors, striking out eight and walking none.

The 21-year-old right-hander was trying to become the first rookie to pitch a no-hitter since Wilson Alvarez did it for the Chicago White Sox against Baltimore in 1991.

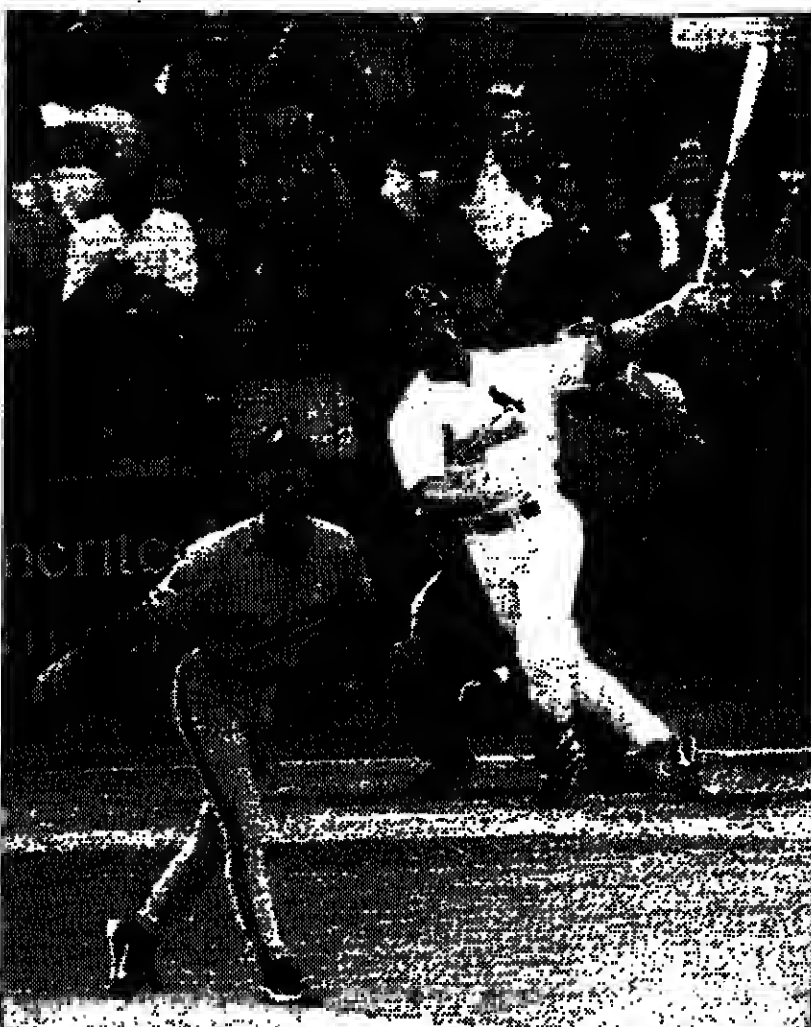
Halladay had little trouble taking his no-hit try into the ninth inning. The Tigers' only runner until then was Tony Clark, and he reached on second baseman Felipe Crespo's error in the fifth inning.

Bat Higginson, batting for Kimera Barteaux, hit the first pitch for a no-doubt, opposite-field drive to left for his 25th home run.

Halladay then ended the game on his next pitch, getting Frank Catalanotto on a lineout to shortstop.

Reds 4, Pirates 1 The Cincinnati Reds ended their season by putting together the majors' first all-brother infield and beating the Pittsburgh Pirates on Aaron Boone's three-run homer.

When the Reds took the field in Cincinnati, there was Stephen Larkin at first, Bret Boone at second, Barry Lar-



Mark McGwire of the St. Louis Cardinals watching his record-setting 69th home run of the season soar toward the left-field seats Sunday.

kin at short and Aaron Boone at third. By sweeping the three-game series, Cincinnati finished a game better than last year. The Reds were 77-85, fourth in the NL Central, with the fourth-smallest payroll in the major leagues.

In games played Saturday:
Expos 7, Cardinals 6 McGwire hit his 67th and 68th home runs in the Cardinals' loss to Montreal. He hit No. 67 off Dustin Hermanson in the fourth inning, then connected again in the seventh for a two-run, 435-foot shot off the rookie pitcher Kirk Bullinger.

Cubs 3, Astros 2 In Houston, Sammy Sosa, who hit his 66th home run Friday night, went 2-for-4 with a pair of singles and scored the go-ahead run in the eighth.

Chicago (89-72) remained tied with San Francisco (89-72) for the National

League wild-card lead going into the season's final day.

With the score 1-1 and one out in the eighth inning, Sosa singled off Jay Powell (7-7). Mark Grace also singled, and both runners then scored on a two-out double by Gary Gaetti.

Giants 8, Rockies 4 In Denver, Stan Javier homered twice to double his season total as the surging Giants, who trailed Chicago by five games just nine days earlier, won their sixth straight and remained tied with the Cubs in the wild-card race.

Braves 4, Mets 0 In Atlanta, New York (88-73) lost its fourth straight and dropped out of a tie for the wild-card race. The Mets, who had scored just five runs in 35 innings, needed to win Sunday and hope that both Chicago and San Francisco lost.

Marlins 4, Phillies 3; Marlins 1, Phillies 0 In Miami, Curt Schilling became the fifth pitcher in major-league history to strike out 300 batters in consecutive seasons, fanning Kevin Orie in the seventh inning of a doubleheader opener.

Orie was Schilling's seventh and final strikeout victim of the game. Schilling struck out 319 last season. Florida won in the 10th inning on Dave Berg's two-out double off Yorkis Perez (0-2).

In the second game, Alex Gonzalez's 13th-inning homer off Ricky Bottalico (1-5) gave the Marlins their first doubleheader sweep.

Diamondbacks 3, Padres 2 In Phoenix, Matt Williams hit his 299th career homer and Gregg Olson got his 30th save.

Reds 6, Pirates 2 In Cincinnati, Eddie Taubensee hit a three-run homer and Pete Hamisch (14-7) became the Reds' first 14-game winner since Pete Schourek went 18-7 in 1995.

Brewers 6, Dodgers 1 Marquis Grissom homered twice and Scott Karl pitched shutout ball for six innings as visiting Milwaukee beat Los Angeles.

Broncos Rout 'Skins, Without Elway's Help

The Associated Press
For the first time in nine years, the Denver Broncos won a game without John Elway. Of course, the way the Washington Redskins are self-destructing, almost any quarterback will do.

As it was, Bubba Brister did the honors Sunday — even running the bootleg right, the play on which Elway recently injured his hamstring — to perfection for a touchdown pass. That started the un-

NFL Roundup
beaten Super Bowl champions on their way to the 38-16 rout in Landover, Maryland.

Brister was 16-for-24 for 180 yards and two touchdowns for the Broncos (4-0), who have won nine straight and broke a 0-7 streak without Elway, who decided to rest his leg and did not suit up.

The last time the Broncos won without him was in 1989 at Washington, when Elway had the flu and Gary Kuhiak, now Denver's offensive coordinator, subbed in the 14-10 victory.

The Broncos cruised because the Redskins (0-4) found all sorts of ways to stop themselves, some of them new, some of them reruns in a season that has seen them outscored 83-26 at home.

Many of the Redskins fans who remained in a near-empty stadium at the end took their frustrations out on coach Norv Turner, chanting "Norv Must Go."

Cary Blanchard, the Skins' third kicker in three weeks, had a 39-yard field goal negated by an illegal formation penalty. He then was wide left from 44 yards, the fifth consecutive miss by Redskins' kickers. Blanchard later hit a 37-yarder, but by then the game was out of reach.

Darrien Gordon, a Denver cornerback whom the Washington receiver Leslie Shepherd dismissed as "a punt returner" last week, stepped in front of Shepherd to pick off a balloon of a pass — Trent Green was hit throwing the ball — and returned it 55 yards for a touchdown. It made the score 17-0 in the second quarter.

After a 5-yard touchdown run by Terry Allen cut the score to 17-7 and gave the Redskins some momentum, Green drove his team to the Denver 25. But Keith Burns and Keith Traylor applied pressure, and tackle Trevor Pryce got his first career interception. The Redskins now have a minus-11 turnover differential.

Terrell Davis, who rushed for 119 yards on 21 carries, ran untouched past two high-paid run-stoppers, Dana Stubblefield and Dan Wilkinson, and the rest of the defense for a 42-yard TD to make it 24-7. Davis has 489 yards and six TDs in four games. The Redskins have allowed an average of 160 yards rushing per game.

Brister feasted on Chris Dishman, a Pro Bowler last year who hasn't played well this season. Dishman wasn't close to Ed McCaffrey on Brister's 19-yard bootleg TD pass, nor did he hang with Howard Griffith's 14-yard TD reception that made it 31-7.

Indicative of the Broncos' confidence was an audacious third-and-one reverse run for 37 yards by Rod Smith on Denver's first drive.

Cardinals 20, Rams 17 The Cardinals felt right at home back in St. Louis. Arizona scored 14 points in a 50-

second span of the second quarter and won its St. Louis homecoming Sunday over the Rams.

Joe Nedney's 29-yard field goal with 4:04 to play gave Arizona (2-2) its second straight victory. The score was set up by a 43-yard pass interference penalty on Dexter McCleon.

The game was the Cardinals' first regular-season contest in St. Louis since the team's owner, Bill Bidwell, took the team to Arizona from St. Louis following the 1987 season.

The Rams (1-3) lost their eighth straight home game, wasting a strong showing by Robert Holcombe, a rookie running back, who rushed for 84 yards and scored twice.

Holcombe, the Rams' second-round draft pick, was inactive for the first three games. Dick Vermeil, the St. Louis coach, started him in place of Greg Hill, who is out at least 8-10 weeks after breaking his leg last week.

The move paid off. Holcombe scored from the five-yard line in the first quarter to put the Rams on top 7-0. He also scored from the four to tie the game with 9:52 to play.

But Cardinals quarterback Jake Plummer, who was 21-for-31 for 211 yards and no interceptions, drove Arizona 75 yards to set up the winning field goal, thanks in large part to McCleon's 85-0 in the first quarter this season before Holcombe's score.

The Cardinals broke an even more depressing streak of their own when Nedney kicked a 22-yard field goal with 1:40 to go in the half. It marked the first points Arizona has scored in the first half all year. Later in the quarter, Arizona took control. Plummer took the Cardinals 65 yards in 11 plays, lobbing a 13-yard scoring pass just over McCleon to Frank Sanders with 1:55 to go in the half.

The Rams then self-destructed. The offense went failed to make a first down, the punter, Rick Tuten, shanked a 38-yarder and Plummer drove Arizona 44 yards in 23 seconds, in large part because of a face-mask penalty and another pass interference penalty on McCleon. Adrian Murrell scored from the four-yard line.

The Cardinals gave St. Louis a return gift. Tony Banks was headed out of bounds near midfield with six seconds to go in the half when rookie Andre Wadsworth gave him a shove. The 15-yard penalty moved the ball to the Arizona 40, and Jeff Wilkins kicked a 57-yard field goal to make it 17-10.

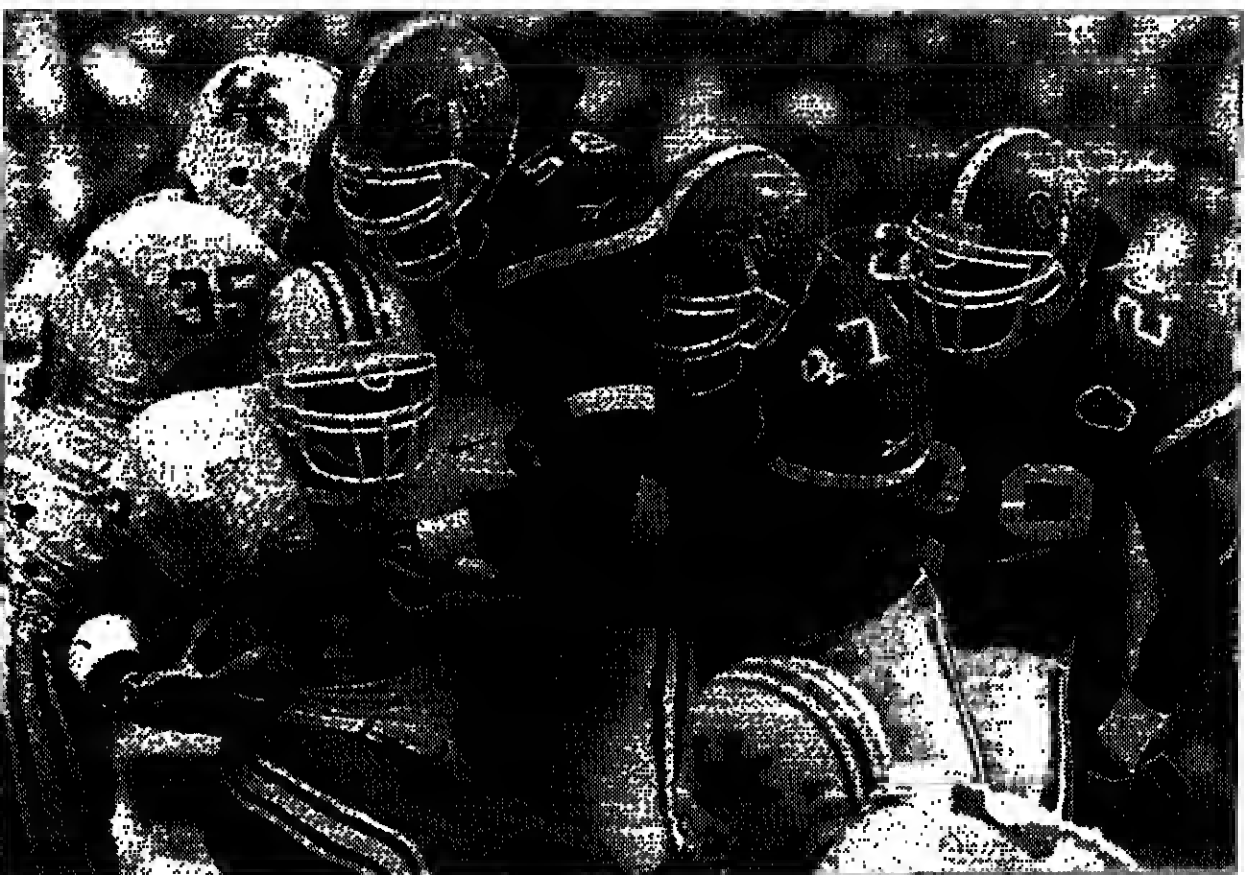
Banks connected with J.T. Thomas on a 32-yard pass, setting up Holcombe's tying 5-yard run early in the fourth quarter.

Eagles Sideline Injured Tackle
The Philadelphia Eagles defensive tackle Rhet Hall is through for the season, placed on injured reserve after fracturing his kneecap. The Associated Press reported.

Hall, who may have hurt his left knee during the second game of the season at Atlanta, cannot play again until he enters the free agent market after the season.

X-rays last Monday revealed the stress fracture. Hall, 29, tore knee ligaments during the 15th game last year against the Falcons. He had tendinitis early this season and injured his knee while jumping offside against Atlanta two weeks ago.

(AP)



Florida defensemen swarming over the ball carrier, Derek Homer of Kentucky, in a game won by the Gators.

No. 2 Huskers Trample Huskies, 55-7

Compiled by Our Staff From Dispatches
LINCOLN, Nebraska — One play, one pitch to DeAngelo Evans was all Bobby Newcombe was wishing for against the Washington Huskies. The Nebraska quarterback had sat out the past two games with a torn knee ligament. Evans, the 1-back in the ground-gobbling Cornhusker option, had been out for 21 months trying to overcome a medical chart worth of injuries.

Newcombe and Evans got a whole lot more than a pitch together, much to the detriment of No. 9 Washington, which was overwhelmed by No. 2-ranked Nebraska, 55-7, on Saturday.

The crowd of 76,372 — Nebraska's 22nd consecutive sellout — watched the duo demolish the Huskies, driving the Cornhuskers to a 35-7 lead at halftime and never looking back.

They combined for six touchdowns. They also reasserted something that has been forgotten in the team's three previous games: that Nebraska is first and foremost a running team. The Cornhuskers gained 434 yards rushing, nearly double their average this year.

"We made a statement as a team," said Evans, who carried 13 times for 146 yards and 3 touchdowns. "This is Nebraska, and we're going to do what we do — run the ball at you."

Newcombe, who was back after tearing a ligament in Nebraska's opener, watched Evans' brilliance play for play and engineered drives of 82, 90 and 60 yards. He carried the ball 14 times for 79 yards and 3 touchdowns. He was 5 of 8 passing, for 84 yards.

On defense Nebraska was just as dominating, holding the Huskies to 273 yards.

No. 4 Tennessee 42, Houston 7 In Knoxville, Tennessee, Tee Martin threw out touchdown passes and Jamal Lewis

rushed for 135 yards and scored twice. The Volunteers (3-0) drew 11 penalties and committed two turnovers, but still beat the Cougars (0-4) in the first meeting between the teams since 1965.

No. 5 Kansas State 62, UNLV 10 Michael Bishop threw for 441 yards and four TDs, including a school-record 97-yarder to Aaron Lockett, as host Kansas State won its 12th straight.

No. 6 LSU 53, Idaho 20 Kevin Faulk scored four touchdowns and set a school record for yardage as No. 6 LSU (3-0) beat visiting Idaho. Faulk increased his yardage total to 5,397, breaking the mark of 5,326 set by Dalton Hilliard in 1982-83.

No. 8 Florida 51, Kentucky 35 In Gainesville, Florida, Doug Johnson threw for five touchdowns and Nafis Karim caught three TD passes in Florida's (3-1, 1-1 Southeastern Conference). Tim Couch broke Kentucky's record for career passing yards, completing 40-of-61 for 406 yards and three TDs, including a 97-yarder to Craig Yeast.

No. 10 Florida State 30, No. 18 Southern California 10 Chris Weinke threw for 228 yards and two touchdowns in a game that featured periodic downpours caused by Hurricane Georges. The host Seminoles (3-1) forced five turnovers and held Southern California (3-1) to three completions for 23 yards passing.

No. 11 Virginia 24, Duke 0 In Durham, North Carolina, Virginia's defense forced eight turnovers and Aaron Brooks scored for a poor passing day with a 57-yard scoring run.

No. 14 Wisconsin 38, Northwestern 7 Ron Dayne rushed for 168 yards, Mike Sammel threw a 60-yard TD pass and ran

for a 1-yard score, and Nick Davis scored on a 68-yard punt return for the host Badgers (4-0, 1-0 Big Ten).

No. 15 Colorado 18, Baylor 16 Adam Blodsoe, a backup quarterback, completed a 44-yard pass to Darrin Chiaverlone to set up Jeremy Aldrich's 31-yard field goal with 2:00 remaining, as host Colorado (4-0) held off Baylor.

No. 17 Texas A&M 28, North Texas 9 At College Station, Texas, Chris Cole caught six passes for 174 yards and three touchdowns for No. 17 Texas A&M. Texas A&M announced Wednesday a 28-7 victory over Louisiana Tech, giving A&M a 1-2 record.

No. 19 West Virginia 44, Tulsa 21 Amos Zereoue rushed for 192 yards and three touchdowns to lead host West Virginia.

No. 20 Oregon 63, Stanford 28 Reuben Droughns rushed for 214 yards and three TDs and Akili Smith threw for four scores for host Oregon. Oregon (4-0, 1-0 Pac-10) piled on 664 yards in offense and scored its most points since a 97-0 defeat of Williamette in 1916.

Arkansas 42, No. 22 Alabama 6 In Fayetteville, Arkansas, Clint Stoener threw three TD passes and Arkansas (3-0, 1-0 SEC) shot down Shaun Alexander. Alabama (2-1, 1-1) had just five first downs after three quarters.

No. 23 Notre Dame 31, Purdue 30 Tony Driver made two key interceptions in the closing minutes and Jim Sanson kicked a 17-yard field goal with 57 seconds left for host Notre Dame.

Arizona State 24, Oregon State 3 Ryan Kealy threw two touchdown passes and Arizona State's much-maligned defense held visiting Oregon State to nine yards rushing as the Sun Devils beat the Beavers.

(NYT/AP)

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WORLD ROUNDUP

Seles Wins in Tokyo

TENNIS Monica Seles beat Arantxa Sanchez-Vicario for the Toyota Princess Cup title for the third consecutive year Sunday, again using her firepower to overcome the Spaniard's speed and wiles.

Seles's 4-6, 6-3, 6-4 victory in the 2-hour, 17-minute match left Sanchez-Vicario with four straight losses in the Toyota finals after she had won the tournament in 1994. She lost to Mary Pierce in 1995.

In the final set, Seles, seeded second behind the French Open champion, saved two break points in the second game — which she closed out with two aces. She saved two more in the fourth on her way to winning the 43d singles title of her career.

• Anna Kournikova, the 17-year-old Russian, won her first title on the pro tour Sunday, joining Seles to win the Princess Cup doubles.

They won, 6-4, 6-4, in the final against Sanchez-Vicario and Mary Joe Fernandez. (AP)

Match Leads to Deaths

SOCCER Frenzied fans clashed and fired gunshots during a soccer match on Sunday, killing at least two people and injuring 40 others in a tribal area in Bangladesh, an official said.

The military was called in as the fighting spread to Dighinala, a township 175 kilometers (108 miles) southeast of Dhaka. The clash erupted 12 minutes before the final whistle as one of the teams took a 2-0 lead. (AP)

Police and Fans Clash As Lazio Draws, 2-2

The Associated Press

ROME — There was a little bit of everything in the Italian League game Sunday between Perugia and Lazio of Rome — tear gas, two expulsions, a goal by the Japanese midfielder Hidetoshi Nakata and a spectacular free kick by Sinisa Mihajlovic — everything, that is, except Lazio's first victory of the season.

When police fired tear gas into the stadium section holding unruly Lazio supporters late in the first half, smoke

drifted onto the field and into the eyes of several players. The referee stopped action for about five minutes, canceled first-half injury time and then delayed the start of the second half by 10 minutes.

Hundreds of the 20,000 fans at Renato Curci Stadium left at halftime, complaining they could not see, the ANSA news agency reported. Police battled in the stands and outside the stadium with some of the 2,500 Lazio supporters.

The match ended 2-2 as Lazio salvaged a draw — its third straight — on Mihajlovic's curling 30-meter strike, which found the roof of the net with 18 minutes remaining. Perugia had gone ahead 2-1 in the 64th minute on Nakata's diagonal shot from seven meters out, the third goal for the second Japanese player in Serie A.

While Lazio continues to languish in the middle of the standings despite a \$65 million offseason spending spree, Internazionale of Milan moved into a tie for second place by escaping Empoli with a 2-1 victory.

Once again, Nicola Ventola carried Inter Milan when the established stars Ronaldo and Roberto Baggio could not. With the two veterans sidelined by injury, Ventola, a 20-year-old playing his first full season in Serie A, hit the winner in the 37th minute. Empoli led 1-0 after 13 minutes but finished the game with midfielder Pier Paolo Bisoli in the goal after goalkeeper Matteo Sereni and captain Daniele Baldini were ejected.

Elsewhere Sunday, Cagliari trampled Sampdoria, 5-0, handing the Genoa club its worst loss in more than 40 years, and Piacenza defeated Vicenza, 2-0.

GERMANY Ralf Weber scored two goals, including the winner three minutes from the end, to give Eintracht Frankfurt its first Bundesliga victory of the season Sunday in a 3-2 victory over Nuremberg.

Weber put Eintracht ahead in the 20th minute before Andrei Polunin scored the equalizer 10 minutes later.

Christoph Westertalner regained the lead for the home team in the 77th minute, but Sasa Ciric scored his third goal of the season for Nuremberg to tie again in the 85th. Weber fired in his second two minutes later to send Nuremberg to its first defeat of the season.

ENGLAND Leicester's Matt Elliott scored in the 88th minute Sunday to salvage a 1-1 draw, negating Robbie Earle's header for Wimbledon in the 74th at Leicester.

A victory would have moved Wimbledon into second place behind league-leading Aston Villa in the Premier League. Instead, Wimbledon moved into third behind Derby, both with 12 points. Aston Villa's 1-0 home



Leicester's striker Emile Heskey, foreground, battling for the ball with Michael Hughes of Wimbledon in their Premier League game Sunday.

victory Saturday over Derby on Paul Merson's 15th-minute strike kept the Birmingham team at the top of the league with 17 points and an unbeaten record in seven league games.

NETHERLANDS Bobby Robson's PSV Eindhoven continued its nightmare league season Sunday with a 4-1 hammering at AZ Alkmaar. Its third defeat meant that PSV, which finished second in the Dutch premiership last

season, would languish in 11th position with just seven points from six games.

Champion Ajax also performed well below par but managed to down NAC Breda, 1-0, thanks to Ronald de Boer's first goal of the season. Ajax is fourth with 14 points from seven games, and Feyenoord still leads. Both Ajax and PSV face teams in the Portuguese Champions League on Wednesday, with Ajax hosting Porto and PSV at Benfica.

Hakkinen Victorious in Luxembourg Grand Prix

*By Brad Spurgeon
International Herald Tribune*

NURBURGRING, Germany — Mika Hakkinen and his McLaren-Mercedes team outdrove and outmaneuvered Michael Schumacher and the Ferrari team on Sunday to win the Luxembourg Grand Prix.

The result ensured that the suspense surrounding who will win the Formula One drivers' title will last until the final race of the season, on Nov. 1 in Japan.

Under ominous rain clouds, Hakkinen got off to a good start from third place off the grid, but remained behind the two Ferraris, driven by Schumacher and Eddie Irvine, which were first and second. Irvine had immediately overtaken Schumacher at the start of the race. But after Irvine made a driving error at the chicane before the straightaway at the end of the first lap, the German retook the lead to the deafening cheers of his home crowd of 140,000.

By lap 14, Schumacher was running 7.7 seconds ahead of Hakkinen. The Finn put on the pressure and proceeded to close the gap with Schumacher until he was only 5.7 seconds behind after 22 laps. On lap 24 Schumacher made his first pit stop, and it lasted 8.6 seconds. He came out 15.7 seconds behind Hakkinen, but the Finn then set the fastest lap, and gained ground before he stopped in the pits on lap 27.

His stop lasted only 8.7 seconds, and in one of the two decisive moments of the race, he re-entered the track just ahead of Schumacher, causing the Ferrari to swerve slightly as Schumacher braked into the first corner to avoid ramming into Hakkinen's tail end.

After one more lap Hakkinen had lead of 0.7 seconds. It was the beginning of a war of nerves between the two drivers as the two proceeded to race over the next 10 laps with less than a second between them, with Schumacher pressing his Finnish rival incessantly.

Hakkinen came out the winner as he maintained his position, and never made a mistake. Schumacher, on the other hand, went partly off the track on lap 42 after locking his brakes on a corner.

The German driver finished the race 2.212 seconds behind the Finn, who completed the 67 laps of the 4.556 kilometer-long track (2.831 miles) in 1 hour 32 minutes and 14.789 seconds for an average speed of 198.534 kilometers an hour. David Coulthard, in the other McLaren, came in third, Eddie Irvine in the other Ferrari came in fourth, followed by Heinz-Harald Frentzen in a Williams and Giancarlo Fisichella in a Benetton.

Schumacher, who came to Sunday's race on an equal-points footing with Hakkinen, must now finish either first or second at the Japanese Grand Prix at Suzuka — with Hakkinen finishing no better than third — to win his third drivers' title. Hakkinen goes to Japan with a four-point margin, with 90 points, to 86 for Schumacher.

Sweden and Italy Advance, Leaving Spain and U.S. in the Dust

*By Christopher Clarey
International Herald Tribune*

STOCKHOLM — Meaningless tennis was played to several time zones on Sunday — an occupational hazard for those who take an interest in Davis Cup.

It was a muted finish to a muted round for this individualistic sport's most prestigious team competition.

Sweden and Italy already had clinched their spots in this year's final by taking insurmountable 3-0 leads Saturday after the doubles matches.

The Swedes did it with overwhelming, nearly stultifying ease as Jonas Bjorkman and Nicklas Pietrangeli routed Spain's Javier Sanchez and Julian Alonso, 6-2, 6-2, 6-2, in little more than an hour on the shores of the Baltic.

The Italian victory over the Americans on the banks of Lake Michigan was a lengthier and much more compelling matter.

After surrendering a two-set lead, Andrea Gaudenzi and Diego Nargiso recovered to defeat Todd Martin and Justin Gimelstob in Milwaukee, 6-4, 7-6 (7-3), 5-7, 2-6, 6-3. It was enough to deprive the emotive Nargiso of his balance, and after he had dropped to the indoor surface that had proved too slow for their blundering hosts, Gaudenzi soon joined him.

Italy was in its seventh Davis Cup final and first

since 1980 and this time, the Italians will at last get the chance to play one at home. The likely site for the final from Dec. 4 to 6 is the Forum di Assago in Milan. The likely surface is clay indoors, which would allow the Italians to keep Bjorkman on the bench in singles.

But likely is hardly the proper word to describe Italy's run this season.

While the Spaniards are Davis Cup's perennial underachievers, the Italians have made a

THE DAVIS CUP

habit of punching above their weight. They possess no players capable of posing threats in the Grand Slam events, yet they have reached the Davis Cup semifinals the last two years and now the final.

It is partly a question of motivation: "Italians don't follow us much when we play on the tour," Gaudenzi said. "But when it gets to Davis Cup, when there is a flag involved, Italy is very emotional."

It is also a question of good fortune.

When the year began, it appeared the Italians would have to face the powerful Australian team in the second round on a most unfavorable surface: grass. But after Mark Philippoussis chose out to play for Australia in the first round against Zimbabwe and Patrick Rafter had to play ill, the Australians were upset, and Italy got to host Zimbabwe in the second round on a most favorable surface: clay. In the semifinals, they got to play an American B team that was lacking Pete Sampras and Andre Agassi, who both declined the honor, and not for the first time.

On an indoor surface that proved slower than the Americans hoped — even though their workmen laid it — the Italians dropped just one set in the opening singles matches as the 37th-ranked Gaudenzi beat a visibly nervous Davis Cup rookie, Jan-Michael Gambill, and 47th-ranked Davide Sanguinetti surprised Martin in straight sets.

"It's not our fault if Sampras and Agassi didn't come," Gaudenzi said.

But their absence did cast a pall over these semifinals, and Agassi's sniping at Gullikson and the United States Tennis Association during the recent U.S. Open did little to help the reputation of the event in a country where it has lost much of its appeal.

Yannick Noah's recent decision to resign as captain of the French team to spend time with his children was a more global blow. His presence and infectious charisma will be impossible to replace.

In the six years Sampras has been the world's best player, the United States has won the Cup just once. He refused to play altogether in 1996 and 1998, claiming the season already was too long.

"I'm very sorry and disappointed for the Cup that the Americans don't play their best guys," said Spain's captain, Manuel Santana.

Other teams are always at full strength. Sweden, which defeated Spain by the final score of 4-1, has been the most cohesive and dominant force of late, winning in 1994 and 1997 and reaching the final in 1996.

"Because we are a small country, our players grow up in the same clubs and same tournaments," said Jan Francke, president of the Swedish Tennis Association. "They know each other well, and Davis Cup is a chance for them to come together as friends."

The Swedes should savor their success, because next year there will be fewer guarantees. Even if Sampras continues to abstain, Davis Cup's World Group should be much more competitive.

The Spaniards and Germans are young and committed. So are the Russians, who qualified for the World Group by beating Japan, 4-1, this weekend and now have two dangerous players in Marat Safin and Yevgeni Kafelnikov.

Australia and Britain also qualified: the Australians by defeating Uzbekistan, 5-0, and the British by beating India, 3-2, to reach the World Group for the first time since 1992.

For Britain, a nation with a taste for history, it was a timely result. Next year will be Davis Cup's centennial, and when this event was by the Americans in 1900, Britain was their only opponent. Unlike the best Americans, the best Britons — Tim Henman and Greg Rusedski — still care.



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